

CHEMONICS INTERNATIONAL INC.

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**THE AMMAN STOCK EXCHANGE  
FULL MEMBERSHIP IN  
THE WORLD FEDERATION OF EXCHANGES:  
APPLICATION DOCUMENTATION**

Final Report  
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Activity Title and Number:	Achievement of Market-Friendly Initiatives and Results Program (AMIR 2.0 Program)  F/Filing Preparation, FMD Component Work Plan No. 621.02

*This report was prepared by Eugene P. Callan, in collaboration with Chemonics International Inc., prime contractor to the U.S. Agency for International Development for the AMIR Program in Jordan*

## **Data Page**

Name of Component: Financial Markets Development

Author: Eugene Callan

Practice Area: Financial Sector

Service Offering: Capital Market Development

### **List of Key Words Contained in Report:**

World Federation of Exchanges (WFE), WFE, *Federation Internationale des Bourses de Valors (FIBV)*, FIBV, Jordan Securities Commission (JSC), JSC, Amman Stock Exchange (ASE), ASE, Securities Depository Center (SDC), SDC, Compliance Matrix, Preliminary Survey, World Economic Forum, Association of National Numbering Agencies, ANNA

## **Abstract**

The primary content of the deliverable package is devoted to materials designed to identify and catalogue capital market compliance information necessary to complete the Amman Stock Exchange's Membership Application for the World Federation of Exchanges (WFE).

The compliance information required was extracted from:

- The Securities Law – Temporary Law (76) for the Year 2002
- The Jordan Securities Commission – Rules and Regulations
- The Amman Stock Exchange – Internal By-Laws
- The Securities Depository Center of Jordan – Internal By-Laws and Operational Rules

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## EXECUTIVE SUMMARY

As an integral part of its strategic business plan the Amman Stock Exchange's (ASE) is the attainment of Membership in the World Federation of Exchanges. The ASE's decision is based on the significant progress achieved in the Jordanian capital markets over the past seven years and the sustained regulatory, operational and business growth achieved with the assistance of the USAID-funded AMIR program.

A securities marketplace had been in existence in Jordan since 1933 operating as a single entity known as the Amman Financial Market (AFM). However, with the enactment of the Securities Law of 1997 a modern securities market structure was created. The Securities Law of 1997 established three distinct and independent institutions: (i) the Jordan Securities Commission, (ii) the Amman Stock Exchange and the (iii) Securities Depository Center of Jordan all institutions structured to support the orderly conduct of business in the Jordanian capital market...

Since 1997 the Jordanian capital market has implemented a significant number of enhancements to materially increase its ability to integrate with and participate in, an increasingly globalized securities marketplace. All of the Jordanian capital market institutions have expended considerable effort in attaining material compliance with generally accepted global standards and best practices. As a result of the efforts expended and with the significant technical assistance provided by the AMIR Program, the Jordanian capital has achieved material compliance with generally accepted global standards as recommended by:

- The World Federation of Exchanges Market Principles 2002
- The International Organization of Securities Commissions (IOSCO)
- The Group of 30 (G-30)
- The Group of 10 Central Banks (G-10)
- G-10 Committee on Payment and Settlement Systems (CPSS)
- The US Securities & Exchange Commission – Rule 17f-7 (17 CFR Part 270) on Requirements for an Eligible Securities Depository

The enhancements implemented since 1997 have substantially improved the legislative, regulatory, business, operational and technical components of the capital market in Jordan. The work of the three major Jordanian capital market institutions has included, but has not been limited to:

- Replacement of Open Outcry Trading with a modern, Automated Trading System
- Implementation of electronic Market Data Dissemination facilities
- Implementation of a modern, automated Clearing & Settlement and Shareholder Registry System
- Implementation of Share Ownership Authentication System by the Securities Depository Center
- Enactment of a new Securities Law in 2002

- Regulatory approval of comprehensive new By-Laws & Directives by the Jordan Securities Commission for:
  - ♦ The Amman Stock Exchange
  - ♦ The Securities Depository Center of Jordan
- Development and Implementation of a Broker Certification & Licensing regime by the Jordan Securities Commission
- Development of an Investment Advisor Program by the Jordan Securities Commission in cooperation with the U.S. National Association of Securities Dealers (NASD)
- Jordanian Securities Commission hosting of US SEC Regional Capital Markets Training Program attended by over 100 regional participants
- Significant participation by the Jordan Securities Commission, as an Ordinary Member, in the ongoing work of IOSCO's Emerging Markets Committee

Statistics compiled by the ASE as of May 31, 2004 support the important role of the securities markets in the Jordanian economy. As of this date the market capitalization of the ASE was 111.45% of Jordan's GDP. Statistical work performed by the ASE on a continuing basis demonstrates the fact that the ASE's market capitalization, as a percentage of GDP, has been consistently over 100% for quite a period of time

Based on a comprehensive review of the substantial progress realized in the Jordanian securities market since 1997 and a comparative regulatory, operational and technical analysis with current WFE members the ASE, with assistance provided by the AMIR Program and in consultation with the Jordan Securities Commission and the Securities Depository Center of Jordan has decided to apply for Membership in the WFE.

The WFE Application Process requires expending a considerable amount of resources over an extended period of time. This deliverable represents the data collection and assemblage efforts required to construct a comprehensive and accurate application that will be acceptable to the WFE. In reviewing the work performed it is critical to note that the Internal Statutes of the WFE mandate a waiting period of 3 years for the resubmission of an application in the event that an Exchange's initial application is not acceptable to the WFE. Considering the dire consequences that would result from the submission of an unacceptable application, a significant amount of time and effort has been expended in the data collection and assemblage segment of the application's due diligence process.



# AMMAN STOCK EXCHANGE

World Federation of Exchanges



Membership Application



STATUS REPORT – APRIL 27, 2004

### ***Purpose***

The purpose of the overall project is to assemble a comprehensive application packet to be submitted by the Amman Stock Exchange (ASE) to the World Federation of Exchanges (WFE) with the intention of procuring membership in the WFE for the ASE. The purpose of this report is to provide project participants and management with the current status of the project:

- Project Tasks Completed, to date
- Project Tasks to be Completed – Next Steps
- Open Issues

### ***Project Tasks Completed***

To date, the Project Tasks, listed below, have been completed:

#### Project Information Presentations

In order to provide information related to the project's purpose, methodology and relevance to the Jordanian capital market a series of informational presentations were given to:

- Jordan Securities Commission (including representatives from ASE Management, SDC Management, USAID and the AMIR Program)
- Board of Directors of the Amman Stock Exchange
- Department Heads and Staff of the Amman Stock Exchange
- Department Heads and Staff of the SDC

#### Application Information Requirements

In order to commence the application process all information required to complete a comprehensive and successful Application Packet were identified and organized by:

- WFE Market Principles 2002
- Capital Market Institution Applicability
- Department within Institution Applicability

#### Application Information Sources

Based on requirements contained in the WFE Market Principles 2002 compliance source documents were identified as:

- The Securities Law of 2002
- Jordan Securities Commission – Rules & Regulations, English language version
  - ♦ Annex 1 – Issuance & Registration of Securities
  - ♦ Annex 2 – Issuance & Registration of Securities
  - ♦ Annex 3 – Issuance & Registration of Securities

- ♦ Annex 4 – Issuance & Registration of Securities
  - ♦ Directives on Disclosure – Accounting & Auditing Standards
  - ♦ Directives on Licensing Financial Services Companies & Certified Financial Professionals
  - ♦ Mutual Funds Instructions
  - ♦ Regulations for Securities Commission Fees
  - ♦ Margin Finance Instructions
  - ♦ Buyback Share Instructions
- Amman Stock Exchange By-Laws & Directives, as approved by the JSC, English language version
  - ♦ ASE Trading Rules
  - ♦ ASE Code of Ethics
  - ♦ Regulations for Fees & Commissions of the Amman Stock Exchange
  - ♦ Internal By-Laws
  - ♦ Organizational Structure
- Securities Depository Center By-Laws & Directives, As approved by the JSC, English language version
  - ♦ Internal By-Laws of the Securities Depository Center – General
  - ♦ Internal By-Laws of the Securities Depository Center – Proceeds 2004
  - ♦ Internal By-Laws of the Securities Depository Center – Settlement Guarantee Fund
  - ♦ Instructions on the Disclosure of Information, Data Records of the Securities Depository Center
  - ♦ Instructions on the Registration of Securities, Transfer of Ownership and Their Value 2004
  - ♦ Instructions for the Registration, Deposit and Settlement of Securities for the Year 2003
  - ♦ By-Laws of the Membership & Code of Ethics

#### WFE Market Principles 2002 – Requirements Matrix

In order to facilitate the information gathering process a Requirements Matrix was created. The Requirements Matrix evidenced, by WFE Market Principle and Principle Subcomponent, specific areas in which WFE compliance is required.

The Requirements Matrix also matched the compliance areas identified with specific capital market institutions' responsibility for supplying information. The level of responsibility was identified at each institution's departmental level:

- Institutional Level
  - ♦ Jordan Securities Commission (JSC)
  - ♦ Amman Stock Exchange (ASE)
  - ♦ Securities Depository Center (SDC)
- Departmental Level
  - ♦ JSC Management
  - ♦ JSC Legal
  - ♦ ASE Management
  - ♦ ASE Legal
  - ♦ ASE Information Technology
  - ♦ ASE Operations & Listing
  - ♦ ASE Human Resources
  - ♦ ASE Finance
  - ♦ SDC Management
  - ♦ SDC Legal
  - ♦ SDC Operations
  - ♦ SDC Information Technology

#### WFE Market Principles 2002 – Requirements Questionnaires

Based on the Requirements Matrix questionnaires were prepared for each institution's department. The departmental questionnaire was constructed using a single format detailing each primary component and subcomponent drawn from the WFE Market Principles 2002. In the departmental questionnaire the compliance rationale for each component and subcomponent was provided along with examples of compliance Articles relevant to each institution's requirements.

The components and subcomponents not applicable to an institutional department's compliance requirements were noted with a specific instruction stating that compliance information was not required from the department.

Institutional department questionnaires were prepared and distributed for the JSC and the ASE. Due to the lesser amount of information required from the SDC and in the interest of time, compliance information for the SDC will be collected by an interview process rather than the preparation of a detailed departmental questionnaire.

### Questionnaire Reviews

In order to provide compliance information with the highest levels of Accuracy and completeness, review sessions were conducted to assist ASE personnel in clarifying specifics associated with the information Solicited via the questionnaires.

### ***Project Tasks to be Completed***

In order to complete the application process the tasks, outlined below, are scheduled for completion. The schedule for completion of the application process is largely dependent upon the review schedule of the Secretary General Office's of the WFE and the schedule of WFE member Exchanges designated to participate in the overall review process. Due to this necessary dependence it is difficult to construct a time schedule for completion of the remaining tasks.

**NOTE:** Due to the necessary time requirements associated with the JSC's final approval of three (3) of the SDC's BY-Laws and Directives and procurement of all documentation required for the application's submission in English, it is planned to proceed with the tasks listed below on the assumption that the JSC's required approvals and the availability of all required documentation in English will be completed prior to the actual final, pre-submission review of the application packet. It is critical to note that the ASE's application packet can not, under any circumstances, be submitted without the requisite JSC approvals and all supporting documentation in English. An application packet containing non-approved By-Laws and non-English documentation will be rejected by the WFE.

### Complete Questionnaire Process

Completion of the SDC questionnaire/interview process is projected for the week of May 9<sup>th</sup> through May 13<sup>th</sup>. This time period will also accommodate any portion of the ASE questionnaire review process that was not completed prior to March 27<sup>th</sup>.

### Compile Compliance Documentation

Based on information obtained from the institutional questionnaires the ASE Application Compliance information will be assembled in a format that is consistent with requirements contained in the WFE Market Principles 2002.

Dependent upon time constraints incurred by project participants as a result of preparation for and participation in the IOSCO Meeting (May 17<sup>th</sup> through May 20<sup>th</sup>), it is projected that documentation will be compiled during the week of May 16<sup>th</sup> through May 20<sup>th</sup>.

### Create Draft Application Packet

An application draft package will be created and used as a working document to create the final application packet. The application draft packet will be reviewed by:

- JSC Legal Department
- ASE Management
- ASE Legal Department
- ASE Operations Department
- SDC Management
- SDC Legal Department
- SDC Operations Department

Subsequent to one-on-one review sessions, the final application draft will be reviewed in one or more group sessions. The group sessions will consist of representatives from the original review areas mentioned, above.

Dependent upon time constraints incurred by project participants as the result of preparation for and participation in the IOSCO Meeting (May 17<sup>th</sup> through May 20<sup>th</sup>), it is projected that the first application draft will be completed during the week of May 23<sup>rd</sup> through May 27<sup>th</sup>.

### Finalize Application Packet

**NOTE:** As previously mentioned all of the outstanding JSC approvals for the SDC's By-Laws and Directives and translation of all documentation required into English must be completed before starting this task.

The process of finalizing the application packet will include, but not be limited to:

- Management Review & Sign-Off
- Submission of application packet to the JSC for review & approval
- Presentation(s) on structure and content of the final application packet to:
  - ♦ The JSC
  - ♦ USAID and the AMIR Program
- Obtaining approval of the JSC and a cover letter from the JSC evidencing their approval of and agreement with the final application packet

It is projected that this task be completed during the time period of May 30<sup>th</sup> through June 10<sup>th</sup>.

### Submit Application Packet

Subsequent to the completion of additions, deletions and enhancements arising from the application packet's final review, the final application packet will be submitted to the WFE President. It is projected that the final application packet will be submitted by June 10<sup>th</sup>.

### Support WFE Preliminary Review

The Secretary General's Office of the WFE will review the ASE application packet and based on a favorable review will schedule a Preliminary Review of the ASE. The Preliminary Review will require Staff from the WFE Secretary General's office to perform the review in Amman.

Prior to the actual in-country performance review it is projected to conduct orientation sessions to prepare JSC, ASE and SDC staff members for the Preliminary Review. On the assumption that the in-country Preliminary Review could commence on August 15<sup>th</sup>, it is recommended that the orientation sessions be conducted during the week of August 8<sup>th</sup> through August 12<sup>th</sup>.

Timing of the Preliminary Review and project resources to assist WFE staff in performing the review is entirely dependent upon the work schedule of the WFE Secretary General's Office. However, based on a reasonable allowance of time to review the ASE application packet, i.e. six (6) weeks from receipt, it could be projected that the Secretary General's Office could complete its in-house review by July 23<sup>rd</sup>. Based on this assumption it is possible that allowing for three (3) weeks to complete the necessary logistic details, it is possible that the in-country Preliminary Review could commence on August 15<sup>th</sup>.

In attempting to establish a reasonable time projection for performance of this task there are two (2) variables that must be considered: (i) the availability of review staff from the Secretary General's Office and, (ii) the length of time required by the Secretary General's staff to complete their review.

Based on assumptions made regarding the Secretary General's in-house review, the availability and mobilization of the Secretary General's staff and the amount of time required, in-country, for the Secretary General's staff to perform their review it could be projected that the Preliminary Review may be performed from August 15<sup>th</sup> through August 26<sup>th</sup>.

### Support WFE Members' Review

According to the Internal Rules of the WFE, Article 2 Procedure for Admission to Membership the WFE Board of Directors, based on The Secretary General's Preliminary Review will decide "...whether the application procedure can be started."

Based on the WFE Board of Director's decision to proceed with the ASE's application the WFE President will "...designate at least two Members to examine the application and prepare a report to the General Assembly, on the basis of a report to be written by the applicant in co-operation with the Secretary General."

Due to the external dependencies involved in this part of the application process, i.e. time required for the WFE Board of Directors review and decision, time required for the WFE President to designate review members and the availability of the designated members to perform the actual review, it is not possible to establish even a "working estimate" for the performance of this task. Additionally, due to the variance in the amount of review time required in other instances by various designated members it is not possible to project how long this part of the process will take or what level of support will be required.

Resources necessary, if any, to support this portion of the application process will have to be scheduled on an "as required basis".

### ***Open Issues***

There are two (2) major open issues that need to be addressed and resolved:

- Approval of the remaining SDC By-Laws & Directives
- Translation of all support documentation required into English

#### Approval of SDC By-Laws & Directives

In order to submit an application packet that is acceptable for review by the WFE Secretary General's Office it is mandatory that all of the capital market institution's By-Laws and Directives are current and have been approved by the market regulator.

As of the writing of this report there are three (3) SDC By-Laws and Directives that are pending final JSC approval. The three (3) SDC By-Laws and Directives pending JSC approval are:

- Instructions on the Registration of Securities, Transfer of Ownership and Their Value for the Year 2002



- Instructions on the Registration, Deposit and Settlement of Securities for the Year 2003
- By-Laws of the Membership & Code of Conduct

In order to submit an acceptable application packet it is required that the three (3) SDC By-Laws and Directives be approved by the JSC.

#### Document Translation

As of the writing of this report there are three (3) documents related to the JSC and three (3) documents related to the SDC that are not available in English. The documents are:

- JSC
  - ♦ Directives on Disclosure and Auditing & Accounting Standards
  - ♦ Margin Finance Instructions
  - ♦ Buyback Share Instructions

Currently, translation of the above documents from Arabic to English is being addressed by the JSC and the AMIR Program.

- SDC
  - ♦ Instructions on the Registration of Securities, Transfer Of Ownership and Their Value for the Year 2002
  - ♦ Instructions on the Registration, Deposit and Settlement of Securities for the Year 2003
  - ♦ By-Laws of the Membership and Code of Conduct

At present, the By-Laws and Directives cited, above, are pending approval by the JSC. Once approved by the JSC translation of these By-Laws and Directives from Arabic to English will commence. However, as previously stated all required documentation must be translated prior to submission of the application packet to the WFE.

Due to the importance of translating the documents cited above, progress of The translation will be closely monitored to insure that undue delay will not be incurred in submitting the ASE application packet.

## 2. Organization and Operations

*Exchanges should have available and maintain adequate organisational infrastructure and operational resources to enable them to offer the proper tools for trading in securities.*

### 2.a Legal Status

*The exchange should have the legal status of a recognized securities market in the country in which it is domiciled. A national securities law should be enacted covering the exchange(s), its powers and obligations.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE IT DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

### 2.b Statutes

*The exchange should have properly drafted Statutes, at a minimum covering its governance, the composition of the governing body, indications for constituents from which council members are appointed/elected, its mission, and its rules and regulations.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE IT DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

### 2.d Monitoring of Market Participants

*On an on-going basis, the exchange should have infrastructure in place for the supervision for which it has responsibility, indicating the frequency of monitoring, the scope of its authority, actions to be taken in case of non-compliance, etc. The financial and trade reporting obligations of market participants should have their formal basis here. The exchange's oversight should encompass capital adequacy, position limits, collateral quantity and quality, internal compliance rules, market conduct and behaviour, etc.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE IT DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

## 2.e Organisational Structure

*The organisational structure of the exchange should be formal and allow for the correct management of financial market operations. The staff of the exchange needs to be fit and properly qualified for the job. A formalised human resources activity should be established to attract and keep professional staff, avoiding the risk to operations from high turnover.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE IT DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

## 2.f Regulatory Infrastructure

*At a minimum, the official exchange rules should include information on: trading, including transparency and reporting, listing, market participation, discipline and sanctions, clearing and settlement, and recourse procedures.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE IT DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

## 2.h Funding the Organization

*The financial soundness of exchange should be the result of a sound business plan. It should show a positive track record for at least 3 years.*

*The annual report of the exchange needs to be certified by an independent chartered accountant, in compliance with International Accounting Standards (IAS), if necessary in the Notes to the Accounts or as a separate statement in addition to compliance with any different local standards.*

*The market should be designed to operate in a manner equitable to all who access it. Any differences in treatment among users, regardless of the means of access (electronic or other) must not be tolerated. Access to the market should not be arbitrarily granted, and no discrimination should be shown.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE IT DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

### 3. Access to the Market

*Procedures should be established such that market participants adhere to the compliance, integrity, financial soundness and authority and that adequate supervision be in place*

*Exchange rules and regulations must stipulate:*

- *terms and conditions for equal access to the market including those to do with financial integrity and business ethics;*
- *the professionalism of intermediaries and their employees ;*
- *minimum capital requirements and solvency of intermediaries;*
- *compliance instruments that safeguard the standing and credit worthiness of intermediaries*
- *enforcement and disciplinary procedures, including the sanctions be applied; and,*
- *management of conflicts of interest among and within market users*

#### 3.a.1 Equal Market Access

- terms and conditions for equal access to the market including those to do with financial integrity and business ethics;

Although this WFE requirement is focused on the financial requirements for access to the Exchange, please describe the process whereby the ASE IT Department grants access to an Exchange participant. In describing the access process please describe the procedures for granting access to:

- an Exchange member firm
- an employee or employees of an Exchange member firm

Additionally, please provide details of the authorization instructions received by the ASE IT Department to grant access and the instructions issued by the ASE IT Department after the access requested has been granted. Instructions issued by the ASE IT Department should include instructions/confirmations given to other departments within the ASE and, if required, to Exchange members involved and/or their employees.

### 3.a.2 Market Intermediary Professionalism

- the professionalism of intermediaries and their employees;

The ASE By-Laws and Directives require that Exchange member firms having access to and use of the ASE Trading System maintain the equipment provided by the ASE. Please provide the rules and general procedures followed by the ASE IT Department in insuring that:

- member firm employees are qualified to access the ASE Trading System
- member firms maintain the access equipment provided

In line with the questions, above, please provide information of the procedures of the ASE IT Department to support and enforce Articles in the ASE's By-Laws and Directives related to the ASE Trading System. Compliance with the Example Articles listed, below, may be provided by a simple statement as to how the ASE Trading System supports and/or enforces the trading conditions specified in the ASE By-Laws.

#### **Examples**

##### Directives for Trading in Securities at

Amman Stock Exchange / Securities Market

Issued by virtue of the provisions of Article 26 (A) of the Securities Law No. 23 of 1997

**(NOTE: Information is based on the old By-Laws  
please be sure that any information provided  
is from the current By-Laws)**

#### **Article 12:**

Entering and executing buying and selling orders through the electronic trading system shall be restricted to certified brokers.

#### **Article 19:**

An electronic trading system shall be adopted for the purposes of dealing in securities.

**Article 20:**

For the purposes of trading in securities on ASE, the trading system shall be operated on a daily basis, with the exception of official holidays and feasts and the last working day of the calendar year.

**Article 23:**

ASE shall immediately notify brokers of any change on the time schedule of the trading sessions, resulting from any technical failure in the trading system.

**Article 24:**

Trading on listed securities in ASE shall be by groups of fixing, multi fixing or continuous pricing, according to the standards set by the Board of Directors in this respect, whereby each pricing group shall be subject to its own provisions, stipulated in these Directives.

**Article 25:**

The trading session of both fixing and multi fixing pricing groups shall be divided into the following phases:

- A. Pre-opening phase.
- B. Opening phase.
- C. Post-opening phase.
- D. Pre-closing phase.
- E. Closing phase.

**Article 26:**

The trading session of the continuous pricing group shall be divided into the following phases:

- A. Pre-opening phase.
- B. Opening phase.
- C. Continuous trading phase.
- D. Pre-closing phase.
- E. Closing phase.

**Article 27:**

The Board of Directors shall set the trading session hours of each pricing group, in the various phases.

**Article 28:**

Orders of the various pricing groups shall be entered in the pre-opening phase, and they shall appear on the Market by Order Book, without effecting any trading. The system shall calculate an IEP following each entry, which shall immediately appear on the window of every Market by Order Book.

**Article 29:**

The entered buying and selling orders of the various pricing groups, shall be executed in the opening phase at the last IEP of each security at that particular moment, if the execution is within the permissible limits of price change.

**Article 30:**

The opening price shall be the last IEP at which execution took place in the opening phase in the various pricing groups.

**Article 31:**

The post-opening phase of both fixing and multi fixing pricing groups shall be similar to the pre opening phase, in terms of entry, appearance on the Market by Order Book, amendment and cancellation of orders.

**Article 32:**

Once opening phase of the continuous pricing group ends, trading continue until the end of trading session.

**Article 33:**

All orders entered by a broker in the trading system shall appear on the broker's Order Book, as well as on the Market by Order Book, according to price preference and priority of entry. They shall be given serial numbers by the system.

**Article 34:**

The IEP shall be calculated according to the following criterias:

A. The price that achieves the largest executable volume of trading. Where more than one price meets this condition, the criteria mentioned in sub-paragraph B of this Article shall be used.

B. The price that achieves the smallest un-executable volume of trading. Where more than one price meets this condition, the criteria mentioned in sub-paragraph C of this Article shall be used.

C. The closest price to the previous closing price.

**Article 35:**

When calculating the IEP, the volume of all orders, including the hidden quantities, shall be accounted for.

**Article 36:**

All buying orders entered in the pre-opening phase, at a price equal to or more than the IEP, and all selling orders entered at a price equal to or less than the IEP, shall appear on the Market by Order Book at the IEP calculated by the system.

**Article 37:**

In the opening phase, the system shall cross the entered buying and selling orders. All more-than-IEP buying orders and all less-than-IEP selling orders, including the hidden quantity, shall be fully executed. Orders entered at an open price shall take priority of execution over orders entered at the IEP.

**Article 38:**

Orders entered in the continuous trading phase shall be executed first according to price preference, then according to time of entry priority.

**Article 39:**

When an order to buy or to sell at best price is entered by a broker during the continuous trading phase, and if the same broker has a best-price order at the other end on the Market by Order Book, execution shall take place regardless of time priority.

**Article 40:**

If a buying order equal to or higher than the price on the selling side, or a selling order equal to or less than the price on the buying side, is entered in the continuous trading phase, execution shall be at the price limited at the other end.

**Article 41:**

Where an order to buy or to sell is entered in the Market by Order Book, during the continuous trading phase, with a quantity executable at more than one price at the other end of the Market by Order Book, it shall be executed according to the sequence of existing prices, and according to their priority, until the whole quantity is exhausted. If the order is not fully executed, the un-executed quantity shall remain on the Market by Order Book, at the price limited in the order.

**Article 42:**

During the pre-closing phase, ASE officers in charge of monitoring trading shall be allowed to cancel or amend any order or any trading transaction, in accordance with the regulations and directives in force. Brokers and monitors shall not be allowed to interfere during the closing phase.

**Article 43:**

Dealing, both in selling and in buying, shall be on the basis of one security and its multiplications, unless the Board of Directors decides otherwise, if need be.

**Article 44:**

Securities shall be priced in Jordanian currency, with Ten Fils denominations.

**Article 45:**

The Board of Directors shall fix the allowed percentage of increase or decrease in relation to the previous closing price. It shall also fix the percentage of price overshoots of the allowed ceiling during the trading session phases.



**Article 46:**

A broker must state in the buying or selling order entered in the trading system the quantity of securities, the code of security, the price, the client and/or the broker's portfolio number, the order's time validity and all information deemed necessary for execution.

**Article 47:**

Orders shall be divided in terms of prices into

1. Open price.
2. Market price.
3. Limited price.

**Article 48:**

A broker may abstain from revealing the whole quantity entered in its buying and selling orders, by limiting the quantity it wishes to show on the Market by Order Book, and hiding the remainder thereof.

**Article 49:**

In the event of entering an order with a "hidden quantity" in the pre-opening phase, the broker must show a part of this quantity that is not less than the minimum accepted by the system. It shall not be permitted to enter such an order at an open price.

**Article 50:**

In the event of entering an order with a "hidden quantity" in the continuous trading phase, at a limited price or at market price, the broker must show a part of this quantity that is not less than the minimum accepted by the system. In case the order sent at market price is partially executed, the remaining quantity shall appear at the executed price.

**Article 51:**

A. In the continuous trading phase, the broker may set a minimum quantity it wishes to execute directly in its entered orders.

B. If the minimum quantity fixed is not executed, the order shall be immediately canceled by the system. If the minimum quantity is executed, the remainder shall be registered in the Market by Order Book.

**Article 52:**

A. Orders at market price shall only be entered in the continuous trading session, and shall be executed either in partially or wholly at the best prices available at the other end, at the moment of entering them. In case of partial execution, the remainder shall appear on the Market by order book at the executed price.

B. Orders entered at market price shall be rejected if there is no cross order at the other end.

**Article 53:**

A. Orders sent at an open price in the continuous trading group shall be entered in the pre opening phase. In case of non-execution or partial execution, following orders at the other end, the remaining quantity shall take a limited price, following the opening phase, equal to the last IEP.

B. Orders sent at an open price in the fixing and multi fixing trading groups shall be entered in the pre opening phase. In case of non-execution, the orders shall remain at an open price, but in case of partial execution, the remaining quantity shall take a limited price, following the opening phase, equal to the last IEP.

**Article 54:**

The price of an order entered at a limited price shall be the highest price accepted by the buyer in case of buying, and the lowest price accepted by the seller in case of selling.

**Article 55:**

Orders entered at a limited price in the continuous trading session shall be executed in part or in whole, according to market situations. In case of non-execution, orders shall appear on the Market by Order Book according to price priority. In case of buying, they shall be arranged downwards, in case of selling, they shall be arranged upwards, and in case of equality of price of more than one order, they shall be arranged according to time priority.

**Article 56:**

A broker may amend or cancel its non executed orders which are entered on the system, in the pre-opening, post-opening phases, and continuous trading phases.

**Article 57:**

Amended order shall lose its priority in the Market by Order Book upon a change of price or an increase in the number of securities.

**Article 58:**

Orders shall be divided in terms of time validity as follows:

- A. Fill and Kill (Fak) or Fill or Kill (Fok).
- B. day.
- C. Fixed date.
- D. Till the end of trading session of the last day in the month, Good Till Canceled (GTC).

**Article 59:**

A (Fak) order shall be entered during a continuous trading session. It shall be on the basis of immediate execution of a possible quantity at the price limited in the order, and cancellation of the remaining un-executed quantity.

**Article 60:**

A (Fok) order shall be entered during a continuous trading session. It shall be on the basis of immediate execution of the quantity in full at the price limited, or its cancellation in case of non-execution of the quantity in full.

**Article 61:**

Orders entered with GTC time validity shall be valid until the end of the trading session of the last day of the month.

**Article 62:**

An order carrying time validity shall be canceled if not executed during the period fixed for its execution.

**Article 63:**

Orders shall be executed according to the procedures set for trading in the concerned security, at the time fixed for its trading.

Orders shall be executed according to the procedures set for trading in the concerned security, at the time fixed for its trading.

**Article 64:**

A. Execution of selling and buying orders, or of selling or buying orders, of a specific security of the same client, through more than one broker, in the same session shall be subject to the following penalties and executive procedures:

1. Waive of the entire right of the broker to its commissions on such foul orders, in favor of ASE.
2. Cancellation of the contracts of the seller client with the seller brokers, through the purchase of same quantity by these concerned brokers, at existing prices on the day of settlement of such breach, in favor of the brokers' buyer clients in same contracts. The full amount of capital profits that can be made by the client shall be transferred to ASE, and the client shall bear any loss or costs that might result in such an event.
3. Cancellation of the contracts of the buyer client with the buyer brokers, through the sale of same quantity of shares by these concerned brokers, at existing prices on the day of settlement of such breach, in favor of the brokers' seller clients in same contracts. The full amount of capital profits that can be made by the client shall be transferred to ASE, and the client shall bear any loss or costs that might result in such an event.
4. The same procedures shall apply to brokers, whether the client is a seller or a buyer (with each of them).

B. The Board of Directors may, in special cases, exclude some transactions from the provisions of sub-paragraph A of this Article.

**Article 65:**

A cross order shall be executed during the continuous trading session.

**Article 66:**

A cross order shall be entered at the best prices available at or within both buying and selling ends, and it shall immediately be executed.

**Article 67:**

A cross order shall be executed for two clients with the same broker, or for the broker's portfolio and its client, provided that reference to that is made upon sending the order.

**Article 68:**

A block trade shall be executed according to the following conditions:

1. It must be executed (bought or sold) in one block, upon the client's order and authorization.
- B. The value of securities must not be less than the minimum allowed for this company by the Board of Directors.
- C. The authorization must be in writing by the client.
- D. A single person must own the security.

**Article 69:**

A block trade shall be entered in the time set for it and on the window designated for this type of trading.

**Article 70:**

For a block trade to be executed, it must be entered by both sides within the time allotted for trading in block trades on the designed window for that purpose. In the event one side fails to enter the block in the allotted time, it shall be canceled.

**Article 71:**

The broker shall execute a block trade at the closing price, or at rate higher or lower than the closing price as set by the Board of Directors for this purpose.

**Article 72:**

Execution of a cross block trade shall be subject to the same conditions of executing block trades referred to in Article 68 of these Directives.

**Article 73:**

The Board of directors may exclude some block trades from the maximum and minimum limits allowed in relation to the closing price.

**Article 74:**

Orders with un-expired time validity on any security shall be cancelled on the day following profit distribution.

**Article 75:**

No trading shall occur on a security during the trading session if the security is:

- A. Suspended.
- B. Frozen.
- C. Reserved.
- D. Forbidden.

**Article 76:**

A. A security shall be automatically frozen in the continuous trading phase, if an order is entered, which might trigger trading outside the price limit. The order shall be rejected, and a message shall pop up to the broker who sent the order, indicating that the security has become frozen. In such a case, brokers cannot enter any order on said security.

B. The broker who causes freezing of a security must immediately call the Trading department to confirm or to cancel the sent order that caused the freezing.

C. If the broker who sends the order that caused freezing does not confirm the order within two minutes, the trading monitor shall lift off the state of freezing and reject the order.

D. If the broker who sends the order that caused freezing does confirm the order, the trading monitor shall amend the closing price upwards to the maximum price allowed in case of a price rise, and downwards to the minimum price allowed in case of a price drop. The security shall be reserved for period to be fixed by the Board of Directors.

**Article 77:**

A. The maximum and minimum limits following the reservation period may be opened during the trading session. In case there is a second overshooting of the minimum and maximum prices of the security, it shall be reserved until the next-day trading session. The reference price at the beginning of the next-day trading session shall be the minimum or maximum price reached in the previous session, if the causing orders are still present the next day on the Market by Order Book.

B. The Board of Directors may decide to open the maximum and minimum limits more than once during the trading session.

**Article 78:**

If the last IEP of a security overshoots the allowed minimum or maximum limits in the various trading groups, the security shall be automatically reserved in the opening phase.

**Article 79:**

Where there are orders at one side of the Market by Order Book which contain an open price, the security shall be automatically reserved by the system in the opening phase.

**Article 80:**

Trading on a reserved security shall be opened by the Trading Surveillance, if an order is entered at the other side or if the open price order is canceled.

**Article 81:**

While a security is reserved, it shall be permitted to enter, amend or cancel orders, without effecting any trading, as is the case in the pre-opening phase.

**Article 82:**

If the IEP in the fixing trading group is overshoot in the opening phase, the security shall be reserved till the next-day trading session and the minimum and maximum prices are automatically opened within the limits set by the Board of Directors, if the causing orders are still present on the Market by Order Book.

**Article 83:**

Entry of orders on any security in the trading session can be temporarily forbidden by ASE officers in charge of monitoring , for technical reasons and subject to these Directives.

**Article 84:**

ASE shall have the right to cancel any transaction(s) that run counter to the Law, regulations or directives in force.

**Article 85:**

A. ASE shall have the right to cancel any trading transaction that was executed during the trading session phases, in the following cases:

1. An error that occurs while sending the order, provided that the concerned broker requests cancellation within 10 minutes of execution, following the other party's approval and prior to the closing phase.
2. Any technical failure, and the concerned brokers shall be so notified immediately.

B. No cancellation of any trading transaction that affects the opening price in the various pricing groups shall be permitted.

**Article 86:**

Trading on a security shall be temporarily suspended during the trading session while a trading transaction is being canceled.

**Article 87:**

When requesting the cancellation of any trading transaction, the concerned brokers shall fill a special form designed for this purpose and shall hand it to the Trading Monitoring.

**Article 88:**

ASE officers in charge of monitoring trading shall have the right to cancel orders entered on the trading system, related to selling and buying orders of a specific security, if the prices of said orders are meant to mislead or hamper trading on said security.

**Article 89:**

Competent ASE employee, who has a written authorization from the Executive Manager, may, in special cases, directly and personally execute buying or selling from the orders shown on the Market by Order, on behalf of brokers, in line with the laws, regulations and directives in force.

**Article 90:**

If any broker is unable to enter into the system due to a technical failure, ASE shall assist and allow him / her to use back-up hardware available at ASE to enter into the trading system and put his / her orders. In the event of several brokers being unable to enter into the system, it shall be left to ASE Management either to continue or to stop the trading session, as dictated by the market interests.

Please provide information , as applicable and if required, as to the capacity of the ASE Trading System to insure compliance with the Articles from the ASE By-Laws and Directives, listed below.

**Examples**

Directives for Amman Stock Exchange  
Financial Brokers' Guarantee Fund

Issued by virtue of the provisions of Article 26/B of the Securities Law No. 23 of the year 1997

**(NOTE: Information is based on the old By-Laws  
please be sure that any information provided  
is from the current By-Laws)**

**Article 6:**

B. A percentage of one per ten thousand (0.0001) of the Member's daily trading volume shall be deducted to the benefit of FBGF. The Board of Directors shall be entitled to suspend said deduction for any period it deems appropriate.

**Article 8:**

A. If a selling Member fails to deliver sold securities or any part thereof, ASE management shall, once the Securities Depository Center (SDC) notifies it in writing of the non-delivery, request said Member to deliver the securities on the day following its notification by the ASE.

B. If a selling Member abstains from delivering the securities within the period prescribed in sub-paragraph A of this Article, **it shall be suspended from trading on the ASE until full settlement of its due commitments.** On the following day, the FBGF shall request the buying Member to buy the undelivered securities on behalf of the selling Member to the benefit of the selling client, and in special cases, buying would take place directly to the benefit of the buying client.

Regulations for the Fees and Commissions of the Amman Stock Exchange  
Issued by virtue of the provisions of  
Articles 9 (J), 26 and 27 of the Securities Law No. 23 of 1997

**(NOTE: Information is based on the old By-Laws  
please be sure that any information provided  
is from the current By-Laws)**

**Article 3:**

A. Subject to sub-paragraphs B & C of this Article, the Stock Exchange shall collect an annual commission, in return for listing securities issued within the Kingdom in the Stock Exchange, at a rate of 0,0004 (four per ten thousand) of the nominal value of said securities, provided that the maximum amount collected does not exceed 3000 (three thousand) Jordan Dinars.

B. The Stock Exchange shall collect an annual commission in return for listing bonds issued by Jordanian public shareholding companies, at a rate of 0,0002 (two per ten thousand) of the nominal value of said bonds, provided that the maximum amount collected does not exceed 2000 (two thousand) Jordan Dinars.

**Article 4:**

A. Subject to sub-paragraph B of this Article, the Stock Exchange shall collect, in return for trading in securities, a commission of 0,0006 (six per ten thousand) of the market value of traded securities from each contracting party.

B. In return for trading in bonds, the Stock Exchange shall collect a commission of 0,0001 (one per ten thousand) of the market value of traded bonds from each contracting party.



Directives on Disclosure Related  
to  
Amman Stock Exchange Issued by virtue of the provisions of Article 26 (c &d) of the  
Securities Law No. 23 of 1997

**(NOTE: Information is based on the old By-Laws  
please be sure that any information provided  
is from the current By-Laws)**

**Article 3:**

A. The Stock Exchange must disclose the following information:

- 1) Names of issuers of securities listed on the Stock Exchange.
- 6) Daily, weekly, monthly and annual data, which cover each company's trading, as well as the sector movements, in terms of number of traded shares, volume of trading, number of contracts, prices, indices and key financial indicators.
- 7) Information and data coming to the Stock Exchange, which have an influence on the prices of securities, and the trading flow.

C. Disclosure shall be through Stock Exchange bulletins, and information shall be circulated to the Stock Exchange members and shall be announced via those methods deemed appropriate by the Stock Exchange.

**Article 6:**

The Stock Exchange may enter into agreements with bodies specialized in disseminating information, against considerations determined by virtue of said agreements.

**Article 7:**

The Stock Exchange may give other stock exchanges and related institutions in the securities market information and data requested by them; it may also cooperate with them to disseminate said information and data.

Code of Ethics  
of  
Amman Stock Exchange Issued by virtue of the provisions of Article 26 (e) of  
the Securities Law No. 23 of 1997

**(NOTE: Information is based on the old By-Laws  
please be sure that any information provided  
is from the current By-Laws)**

**Article 6:**

A. Each member shall organize its work in a responsible manner, and shall provide sufficient human, technical and financial resources to conduct its business, in accordance with the operative regulations and directives, including these Directives. In particular, the member shall consider the following:

- 1) Setting up suitable bases, lists regulations and procedures for the execution and settlement of transactions, as well as for keeping records and reports.

**Article 13:**

The persons shall take the necessary procedures and precautions to ensure the safety of the electronic systems of the Stock Exchange, and to protect them from destruction, alterations or use by unauthorized persons. In particular, the persons shall be obliged to do the following:

- A. To protect their data which enables them to enter into the systems.
- B. Not to allow unauthorized persons to use the systems.
- C. Not to use any Stock Exchange software or hardware before the specialist ensures their safety.
- D. As soon as it comes to their knowledge, to inform the concerned employee in the Information Technology Department of an violation of software or related material copyrights in the Stock Exchange, as well as of any misuse of the Stock Exchange's systems or of any possibility of having a software that might affect the data stored on the hardware.

**Article 14:**

- A. It shall be prohibited for the persons to send confidential information via the Stock Exchanges electronic mail, unless they are authorized to do so.
- B. Print-outs of important letters sent or received via the Stock Exchanges electronic mail shall be kept.
- C. It shall be prohibited for the persons to have access to the Stock Exchange's sent or received electronic mail, without authorization to do so.

**3.a.3 Market Intermediaries - Minimum Capital Requirements**

- minimum capital requirements and solvency of intermediaries;

**THERE IS NO INFORMATION REQUIRED FROM THE ASE IT DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

**3.a.4 Compliance Instruments & Intermediary Creditworthiness**

- compliance instruments that safeguard the standing and credit worthiness of intermediaries

**THERE IS NO INFORMATION REQUIRED FROM THE ASE IT DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

### 3.a.5 Disciplinary Procedures & Enforcement

- enforcement and disciplinary procedures, including the sanctions be applied;

In response to this WFE Requirement please procedures followed by the ASE IT Department in the suspension and/or the withdrawal of trading access to member firms or individuals.

### 3.a.6 Conflicts of Interest

- management of conflicts of interest among and within market users

**THERE IS NO INFORMATION REQUIRED FROM THE ASE IT DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

## 4. Listing of and Disclosure on Traded Financial Products

### 4. a Exchange Requirements

*Exchanges should require:*

*that listed companies be of an adequate size and have sufficient shares in hands of the public to safeguard an orderly and fair market;*

*timely, and the widest possible disclosure of business and financial information materially affecting listed companies;*

*regular disclosure of financial information by listed companies; and,*

*disclosure to investors of the nature, risk and investment potential inherent in the traded financial products.*

**4.a.1 Listed Companies – Public Float**

- that listed companies be of an adequate size and have sufficient shares in hands of the public to safeguard an orderly and fair market

In response to this question please state if the ASE Trading System monitors the number of shares outstanding for listed issues. In the event that the system does not perform such a function please reply as NOT APPLICABLE.

**4.a.2 Listed Companies – Business & Financial Disclosure**

- timely, and the widest possible disclosure of business and financial information materially affecting listed companies

Please state if the ASE Trading System has any role in the dissemination of the information mentioned, above.

**4.a.3 Listed Companies – Ongoing Disclosure**

- regular disclosure of financial information by listed companies;

**THERE IS NO INFORMATION REQUIRED FROM THE ASE IT DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

**4.a.4 Listed Companies – Risk Disclosure**

- disclosure to investors of the nature, risk and investment potential inherent in the traded financial products

**THERE IS NO INFORMATION REQUIRED FROM THE ASE IT DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

**4. b Exchange Goals**

*Exchanges should work towards:*

- *regulatory co-ordination among markets where financial products are jointly listed, in order that there be a synchronized disclosure of information, and*
- *the support of cross-border listing and trading.*

**4.b.1 Exchanges should require:**

- regulatory co-ordination among markets where financial products are jointly listed, in order that there be a synchronized disclosure of information

Please state if the ASE Trading System is capable of maintaining interfaces with market regulators (the Jordan Securities Commission). Also please state if the ASE Trading System is capable of maintaining an interface with the Central Bank.

**4. c Exchange Goals**

*The listing procedures, time schedule for the processing of the dossier, costs or the company, minimum size of capitalisation, and other requirements should be compiled in one rulebook, which is publicly available. In case listing responsibilities are shared with the supervisory agency, it should be clear where the ultimate decision in the listing process lies. Foreign issuing companies should be subject to the same rules as the domestic ones.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE IT DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

**5. Trading****5.a Trading – Exchange Accountability**

*The accountability of the Exchange to market users should be described, especially in any agreements that seek to modify the distribution of responsibilities among actors.*

### 5.a.1 Exchange Accountability

All of the responsibilities of the ASE to its members, both issuers and trading participants should be documented. Please provide the roles and responsibilities of the ASE Trading System in supporting those Articles in the Exchange's By-Laws that require the ASE to support its members' technical and systems needs.

#### **Examples**

Internal By-Laws  
of the  
Amman Stock Exchange Securities Market  
Issued by virtue of Articles (25) and (73) of the Securities Law No [23] of the year 1997

**(NOTE: Information is based on the old By-Laws  
please be sure that any information provided  
is from the current By-Laws)**

#### **Article 4:**

The Stock Exchange shall do the following:

- b Provide means of connection and communication and equipped trading halls with the necessary technical tools and devices to record and trade in securities, and to perform its other activities.
- c Monitor market trading, and coordinate with the Commission the follow up of such transactions, in order to secure investor protection and non-manipulation of trading in securities.
- e Prepare reports and disseminate information on the Stock Exchange's activities.
- f Supervise the professional activities of its members and the market transactions, as well as lay out and implement rules relevant to the use of the Stock Exchange utilities, facilities and services.

### 5.b Trading – Audit Trails & Market Data Dissemination

***Transaction audit trails should be available to investors and regulators; only the information to regulators will include non-public information. Pre- and post-trade information should be provided on a timely basis.***

Market transaction controls and the availability of timely and transparent trading information are very important to the WFE.

The WFE requires Exchanges to maintain reliable records related to transactions conducted on the Exchange so as to provide a means of identify transactions as they flow through the Exchange's operational and technical processes. It is extremely important that Exchange transactions, once entered on the Exchange, do not get "lost" or simply "disappear" somewhere in the Exchange's processing environment.

Please provide, in non-technical terms, how the ASE Trading System: (i) maintains Audit Trails for all transactions that have been entered into the system, (ii) any data replication procedures to safeguard the Audit Trails, and (iii) the protection provided to Audit Trail information under the ASE's Disaster Recovery Plan.

Additionally, please provide the ASE IT Department's Records Retention Policy including what records are stored, how they are stored and where they are stored.

Please provide information as to how the ASE Trading System and the ASE IT Department supports/enforces the responsibilities included in the sample Articles of the ASE By-Laws and Directives. In the event that the ASE IT Department has no involvement and/or responsibility for any of the Articles cited please respond with NOT APPLICABLE.

### *Examples*

#### Directives for Trading in Securities at

Amman Stock Exchange / Securities Market

Issued by virtue of the provisions of Article 26 (A) of the Securities Law No. 23 of 1997

**(NOTE: Information is based on the old By-Laws  
please be sure that any information provided is  
from the current By-Laws)**

#### **Article 10:**

A. A broker must keep an official log of authorizations. Said log shall be sealed by the Stock Exchange, and shall contain all authorizations for its clients or for its portfolio, which must bear sequential numbers. The broker shall bear the responsibility for that.

B. The log mentioned in sub-paragraph (A) above shall be subject to ASE control.

#### **Article 11:**

A. A broker must keep written authorizations, telephone authorizations confirmed in writing, and the log of authorizations, for a period fixed by the ASE Management.

**Article 33:**

All orders entered by a broker in the trading system shall appear on the broker's Order Book, as well as on the Market by Order Book, according to price preference and priority of entry. They shall be given serial numbers by the system.

**5.c Trading – Market Transparency**

*The transparency of the market is a crucial element of fairness and must be assured at all times. Although markets may offer different degrees of transparency depending upon the balance struck between transparency and liquidity, nevertheless, whatever the structure transactions must be reported immediately to the exchange, with details as to price and volume.*

*Exchanges should undertake:*

- *to promote well balanced transparency by publicly disclosing transaction data;*
- *to establish and maintain trading rules to protect investors, such as "best execution" rules, regulatory trading halts, etc.*
- *to create transparency with respect to the capacity in which the intermediaries operate.*

**5.c.1 Trading – Market Transparency: Public Disclosure of Transaction Data**

*Exchanges should undertake:*

- *to promote well balanced transparency by publicly disclosing transaction data;*

In order to document this WFE requirement it is necessary to provide specific information as to how the ASE Trading System supports the ASE's responsibilities as stated in the ASE By-Laws and Directives related to the public disclosure of transaction data generated from trades executed on the Exchange.



**Examples**

Internal By-Laws  
of the  
Amman Stock Exchange Securities Market  
Issued by virtue of Articles (25) and (73) of the Securities Law No [23] of the year 1997

**(NOTE: Information is based on the old By-Laws  
please be sure that any information provided is  
from the current By-Laws)**

**Article 4:**

The Stock Exchange shall do the following:

- a Set the necessary environment to ensure an interplay of supply and demand on listed securities, by strengthening the necessary basis for sound, transparent and fair trading, to determine the prices of and trading in securities.

**Article 17:**

The Board of Directors shall have the following functions and competencies:

- a. Managing and developing the Stock Exchange, including inter alia:
  3. Supervising the provision and dissemination of sufficient and timely information and data on trading in securities, and verifying its validity, accuracy and clarity.

Directives on Disclosure Related  
to  
Amman Stock Exchange Issued by virtue of the provisions of Article 26 (c &d) of the  
Securities Law No. 23 of 1997

**(NOTE: Information is based on the old By-Laws  
please be sure that any information provided is  
from the current By-Laws)**

**Article 3:**

A. The Stock Exchange must disclose the following information:

- 6) Daily, weekly, monthly and annual data, which cover each company's trading, as well as the sector movements, in terms of number of traded shares, volume of trading, number of contracts, prices, indices and key financial indicators.
- 7) Information and data coming to the Stock Exchange, which have an influence on the prices of securities, and the trading flow.

- B. The public may have access to and may make copies of, against consideration, the information and data mentioned in sub-paragraph A of this Article.

**NOTE:** Information required for this WFE Requirement has been requested in previous questions. Please repeat the information for the sake of formatting our responses to the WFE.

### 5.c.2 Trading – Investor Protection: Trading Rules

*Exchanges should undertake:*

- *to establish and maintain trading rules to protect investors, such as "best execution" rules, regulatory trading halts, etc.*

Investor protection is a core component of WFE requirements. In this section it is necessary to provide documentation from the ASE's By-Laws and Directives supporting the fact that the ASE does have rules and regulations that provide market investors with protection, especially in the conduct of transactions between Exchange members and their investor clients. In supporting the ASE's compliance with this WFE Requirement it is important to document the capacity of the ASE Trading System to monitor and enforce the responsibilities of the ASE towards investors, as stated in the ASE's By-Laws and Directives

Please provide information, in non-technical terms, as to what Trading Rules the ASE Trading System enforces and how the system actually enforces them.

### 5.d Trading – Cross-Border Trading: Foreign Participants

*The market should allow for cross-border trading. Duplicative regulation of the accessed market by the authorities in the jurisdiction in which it is located ("home country regulator") and those in the jurisdiction in which the accessing party is located ("host country regulator") should be avoided.*

*Foreign players should have identical rights - and obligations - as local players, provided their business attitude and financial soundness are comparable to those required in the market of the access provider.*

The WFE, as an international organization, is especially concerned that there are no special, additional requirements for foreign companies to participate in a domestic market. Please document that fact that there no special technical requirements for foreign participants in the ASE, different than those mandated for domestic participants.

**NOTE:** Although Cross-Border Trading activity is not currently active in the ASE, please state the capacity of the ASE Trading System to process Cross-Border Trades or the enhancements/upgrades necessary to support such activity.

### 5.e Trading – Cross-Border Trading: Market Regulation

*The basic principle should be that national supervisory agencies must respect each other's efforts to assure that a securities market complies with generally accepted investor protection standards, such as disclosure, transparency and efficiency. This mutual recognition of each other's regulatory status and professional competence requires a good understanding of the mechanics and underlying approaches taken in that country.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE IT DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

## 6. Clearing and Settlement

*The clearing and settlement facilities provided by the Exchange, its subsidiaries or others must provide for the efficient, safe and prompt settlement of transactions within the internationally accepted standards of the G-30 and ISSA, or be better.*

*The Exchange will :*

- *make adequate arrangements for safe and timely clearing, and correct and final settlement of the transactions concluded on the market ;*
- *see to it that cross-border clearing and settlement activities are facilitated;*
- *be instrumental in the development of national central securities depositories, immobilisation, dematerialisation of securities, lending and borrowing contracts and arrangements;*
- *contribute to the standardisation and implementation of securities industry processes;*
- *assure that ownership of securities should be explicitly embedded in national law. A well-defined system of laws relating to property, contracts, securities, trusts, bankruptcy and taxation should exist.*

### 6.a.1 Clearing and Settlement – Safe & Timely Clearing

*The Exchange will :*

- *make adequate arrangements for safe and timely clearing, and correct and final settlement of the transactions concluded on the market ; see to it that cross-border clearing and settlement activities are facilitated;*

Please describe the processes and time schedules for the transfer of locked-in trade data from the ASE to the SDC. In describing the data transmission process please include the measures employed to insure the integrity of the data transferred, i.e. the data being transferred can not be tampered with or altered.

**NOTE:** Although Cross-Border Trading activity is not currently active in the ASE, please state: (i) the capacity of the ASE Trading System to process Cross-Border Trades or, (ii) the enhancements/upgrades necessary to support such activity and (iii) the capacity (current or potential) of the ASE Trading System to transmit locked-in Cross-Border trade data to external Central Securities Depositories.

### 6.a.1 Clearing and Settlement – CSD Development

*The Exchange will :*

- *be instrumental in the development of national central securities depositories, immobilisation, dematerialisation of securities, lending and borrowing contracts and arrangements;*

Please provide a brief history of the connection between the ASE and the CSD.

**NOTE:** Information relating to the development of Securities Borrowing and Lending in the marketplace will be added separately.

## 7. Technical Infrastructure

*The market IT systems should maintain adequate capacity to meet the needs of market users. Back-up systems and contingency procedures to be followed in the event of an operational failure are to be maintained on a current, ready basis. Before implementation and on a periodic basis thereafter, the market and system interfaces should be subject to an objective risk assessment to identify vulnerabilities, which may exist in the system design, development, or implementation. These would include the risk of unauthorised access, internal failures, human errors, attacks and natural catastrophes.*

### 7.a.1 Market System – Capacity

*The market IT systems should maintain adequate capacity to meet the needs of market users.*

Please provide information regarding the ASE Trading System's capacity:

- Current number of users per average day
- Maximum number of users that can be accommodated (if known)
- Average number of transactions per day – current
- Number of transactions per day – upper limit peak handled by the system
- Average number of transactions per day – stress or limit tested
- Any short-term, medium-term or long-term planned capacity updates.

### 7.a.2 Market System – Back Up & Contingency Procedures

*Back-up systems and contingency procedures to be followed in the event of an operational failure are to be maintained on a current, ready basis.*

Please provide a copy of the ASE's Disaster Recovery Plan and, if available, the ASE's Business Resumption Plan. Also, provide a description of the ASE's back-up sites and a statement as to whether the Back-Up System is a Hot Back-Up or not.

Provide results of Disaster Recovery Testing including last date tested and general results.

Additionally, please provide information as to roles and responsibilities of ASE IT Staff members in the event of implementing the Disaster Recovery Plan, i.e.

- Emergency notification procedures
- Staff members' assigned location(s)
- Member (user) notification

### 7.a.3 Market System – Risk Management Procedures

*Before implementation and on a periodic basis thereafter, the market and system interfaces should be subject to an objective risk assessment to identify vulnerabilities, which may exist in the system design, development, or implementation. These would include the risk of unauthorised access, internal failures, human errors, attacks and natural catastrophes.*

Please describe system access controls, including:

- Levels of user access
- Assignment of user Access Codes (Passwords)
- ASE changes to user Access Codes (i.e. ASE changes codes periodically and notifies users of changes)
- User changes of Access Codes (i.e. User changes Access Codes and notifies ASE)
- Incorrect Access Code Lock-Out Procedure (if present in system)

Please provide information on:

- regularly scheduled system testing
- Unit Testing required by system enhancements
- Regression Testing required by system enhancements

Please provide information on the ASE Trading System history:

- Original acquisition date (year)
- System Provider/Vendor
- Similar system installations currently in use (locations)
- Major enhancement history including dates

## 8. Risk Management

*Regulators and the Exchange should consider any risk exposures pertinent to the system, including those arising from interaction with related financial systems, domestic or abroad. This would include the foreign exchange markets, derivative markets, the banking market and payment systems.*

*To assure the financial integrity of the market and the ability of its participants to fulfill their obligations as users, the Exchange should have in place risk management tools, such as position limits, margin requirements, minimum capital requirements, mark-to-market systems, etc.*

Please list all of the interfaces currently maintained by the ASE Trading System.

Does the ASE Trading System currently have the functionality to monitor and enforce:

- Member Trading Limits ( limit on the daily, net aggregate value of obligations a member may incur).

- Margin Limits, i.e. a cap or limit on the value of trades a member may execute based on the extension of credit to a client (margin trading)
- Member firms net accumulation of obligations, i.e. Buy-Side Trades

Does the ASE Trading System currently have the capacity to provide Mark-to-Market Services where Market-to-Market Services are defined as the capability to provide members and marketplace participants with price information for the purposes of evaluating portfolio assets and/r collateral held.

If possible, please provide a basic schematic of the ASE Trading System in .bmp format.

## **9. The Settlement of Disputes, Dealing with Complaints of Investors, and Arbitration Facilities**

*The Exchange should put facilities in place which offer effective treatment of disputes and complaints from investors regarding the behaviour and business conduct of intermediaries. These should be as simple and expeditious as possible, within the limitations of national law.*

### **THERE IS NO INFORMATION REQUIRED FROM THE ASE IT DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

**NOTE:** Although this WFE Requirement does not directly involve the ASE IT Department, please provide any information on case where the ASE IT Department has been requested to provide data for any party involved in Dispute Resolution.

## 10. Supervision, Surveillance & Enforcement

*The Exchange must assure that mechanisms are in place to ensure that the information necessary to conduct adequate surveillance of the market for supervisory and enforcement purposes is available on a timely basis.*

*The securities regulatory agency must be established with broad inspection and enforcement authority, and adequate oversight over the players in the market. Its enforcement of applicable regulations must be transparent. In case of a division of regulatory responsibilities between the Exchange and the regulator, the responsibilities and powers of each party should be formalised and cover the entire area to be supervised.*

*Markets, which have a separate banking supervisor, should have a clear separation of responsibilities, in the event that banks may be actors on the securities markets. Regulatory co-ordination between the regulators should be fostered.*

*The Exchange should report to the regulator when it becomes aware that reasonable grounds exist to suspect that a market user may have violated the jurisdiction's laws, or its internal rules and regulations.*

*Records made or received by the Exchange stemming from the operation of its trading system, relating to financial statements, and data regarding indications of market interest, quotations, orders, and trades in the system itself should all be preserved for a reasonable period of time, in most instances meaning many years. These should be furnished promptly upon request by the relevant regulator.*

### 10.a Supervision, Surveillance & Enforcement – Surveillance Information

*The Exchange must assure that mechanisms are in place to ensure that the information necessary to conduct adequate surveillance of the market for supervisory and enforcement purposes is available on a timely basis.*

Please provide information related to the information the ASE Trading System collects on Market Data including, but not limited to:

- Out-of-Range Bids and Offers
- Block Trades
- Rejected Trades
- Cancelled Trades



- Regular Executed Trades
- Corrected and/or Amended Trades

It is requested that the ASE IT Department provide information regarding the archiving of transaction data and the retrieval methodologies for such data.

Provide any information related to the ASE Trading System's capacity, or lack of capacity, to compare executed trade transactions to a set of acceptable trade execution criteria so as to identify questionable transactions for further investigation.

Additionally, please provide details as to information provided from the ASE Trade System to the JSC and whether such information is provided: (i) on-line, (ii) according to a predetermined schedule, (iii) at end-of-day, or (iv) as requested by the JSC.

#### **10.b Supervision, Surveillance & Enforcement – Enforcement**

*The securities regulatory agency must be established with broad inspection and enforcement authority, and adequate oversight over the players in the market. Its enforcement of applicable regulations must be transparent. In case of a division of regulatory responsibilities between the Exchange and the regulator, the responsibilities and powers of each party should be formalised and cover the entire area to be supervised.*

*Markets, which have a separate banking supervisor, should have a clear separation of responsibilities, in the event that banks may be actors on the securities markets. Regulatory co-ordination between the regulators should be fostered.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE IT DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

#### **10.c Supervision, Surveillance & Enforcement – Supervision**

*The Exchange should report to the regulator when it becomes aware that reasonable grounds exist to suspect that a market user may have violated the jurisdiction's laws, or its internal rules and regulations.*

*Records made or received by the Exchange stemming from the operation of its trading system, relating to financial statements, and data regarding indications of market interest, quotations, orders, and trades in the system itself should all be preserved for a reasonable period of time, in most instances meaning many years. These should be furnished promptly upon request by the relevant regulator.*

Currently, does the ASE IT Department provide any other department at the ASE and/or ASE management with information that might indicate irregularities in the conduct of business in the ASE Trading System, i.e. potential violations of the ASE's Trading Rules and/or Conduct of Business Rules?

In the event that the ASE IT Department does produce and provide such information please provide a brief description of the type(s) of information generated.

Please provide a description of the ASE IT Department's policies and procedures regarding the retention of records, including:

- Type of Transaction Record Archived
- Medium on which the data is archived, i.e. Magnetic Tape, CD, etc
- Period of time for which the Transaction Record is retained.
- Data Retrieval means
- Data Retrieval turn around times, i.e. how long (on average) does it take locate and supply a record from the time the retrieval request is received until the record is supplied.

## 11. Investor Protection

*Specific rules and regulations, like on disclosure and transparency, that serve to protect investors should be in place. These include guarantees such as compensation funds, insurance policies or their equivalent. If the Exchange or a related organisation holds or safeguards funds intended to guarantee the clearing of trades, or to compensate investors in the event of the insolvency of a member of the market, procedures and controls should be implemented to assure the availability of those funds. These funds are on stand-by as a lender of the last resort to the market.*

*A specific regime should be in place for staff of the Exchange and the clearinghouse/depository, to avoid conflicts of interest and insider trading. Comparable rules should be in place for all other users of the market. Insider trading and other forms of unfair markets should be prohibited, either by law or code of conduct, with adequate enforcement tools available.*

*Brokers and banks must assure absolute segregation between clients' money and their own accounts, and respect the priority in which client orders are executed.*

**11.a Investor Protection - Guarantees**

*Specific rules and regulations, like on disclosure and transparency, that serve to protect investors should be in place. These include guarantees such as compensation funds, insurance policies or their equivalent. If the Exchange or a related organisation holds or safeguards funds intended to guarantee the clearing of trades, or to compensate investors in the event of the insolvency of a member of the market, procedures and controls should be implemented to assure the availability of those funds. These funds are on stand-by as a lender of the last resort to the market.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE IT DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

**11.b Investor Protection – Conflicts of Interest**

*A specific regime should be in place for staff of the Exchange and the clearinghouse/depository, to avoid conflicts of interest and insider trading. Comparable rules should be in place for all other users of the market. Insider trading and other forms of unfair markets should be prohibited, either by law or code of conduct, with adequate enforcement tools available.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE IT DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

**11.c Investor Protection – Segregation of Assets**

*Brokers and banks must assure absolute segregation between clients' money and their own accounts, and respect the priority in which client orders are executed.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE IT DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

## 12. Business Conduct

*One of the most important parameters for regulated markets is the level of investor confidence achieved through both the national legal environment and the market regulatory infrastructure. An important element of investor confidence is the fair treatment of the customer. This section elaborates the IOSCO International Conduct of Business Principles (the IOSCO Principles) and puts them in the context of markets, their participants and customers. It aims at offering a benchmark of best practice against which members which have existing codes or formal regulations could test their practice and perhaps revise their codes.*

*Obligations that may be imposed on listed companies, their employees, or investors are not covered here.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE IT DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

### 12.a Business Conduct – Honesty & Fairness

#### **a. Honesty and Fairness**

*A stock market's pricing system being its key function, members of the financial community should honour the integrity of the price formation mechanism. Market participants should go further than avoiding misleading or deceptive acts or representations. They should refrain from any action that would hinder or disrupt the fair and orderly functioning of the market. They should not spread groundless or false information about listed issuers and refrain from any activities designed to mislead others about the true state of the market. Therefore, consideration should be given to outlawing specific manipulative practices, such as trades that involve no change of beneficial ownership or trades that give a false appearance of activity.*

*Although manipulation of prices (including insider dealing) may be prohibited by statutory law as well as exchange rules, specific trading strategies may not be interdicted. In permitting new trading strategies, stock markets should take into consideration the integrity of their pricing mechanisms, provided, however, that such consideration should not be an excuse for anti-competitive decision-making.*

Please provide a description of the ASE Trading System's Price Display Algorithm and the system rules that govern the entry and display of Buy Prices and Sell Prices.

It is also requested that the ASE IT Department provide information regarding any currently operational functionality in the ASE Trading System that is used to identify potential incidences of Insider Trading, i.e. system reporting of unusually heavy and sudden trading in a specific issue by one or more Exchange members.

## 12.b Business Conduct – Diligence

### **b. Diligence**

*The diligence required in effecting securities transactions is best execution of customer orders. This involves executing agency orders promptly, and if a market order, at the best available price. Charges should be as agreed upon, or else be based on a customary, commission that is fully disclosed. Diligence also involves executing net trades or principal orders at a price closely related to the market price, especially where off-market trading is permitted and disclosing, as may be appropriate to the marketplace, the basis of the mark up or mark down to the customer. Whether the firm is acting in its capacity as principal or agent should also be disclosed to customers.*

*Recommendations by market participants or their employees to customers as to the purchase or sale of securities should be based on adequate and reliable information about the issuer and the nature of the financial instrument. An underwriter should exercise due diligence with regard to an issuer's business affairs and financial condition when preparing an offering.*

*Where an involuntary sale of a customer's securities must be made (due to an unanswered margin call or for other reasons), the market participant should conduct that sale with skill and due care to follow market pricing.*

Please provide information related to the ASE Trading System's Time Stamping of orders entered in the system. Additionally, please provide information as to the capacity of the ASE Trading System to replicate a Trading Session or a portion of a Trading Session.

## 12.c Business Conduct – Capabilities

### c. Capabilities

*Consideration should be given to what qualifications Exchanges should impose for membership, and for the qualifications of employees. At the very least, individual market participants or their employees should be fit and proper persons without any record of dishonest or seriously fraudulent activities. Professional training should be expected and competence appropriate to a person's professional position should be demonstrated.*

*Exchanges should have financial responsibility rules for market participants. Market participants should adhere to such rules in a manner that does not jeopardise customer funds or securities held as custodian or the ability of a market participant to complete transactions with other market participants. Market participants should be required to monitor and calculate their financial position with sufficient frequency to remain in compliance with market rules on capital adequacy and solvency.*

Please provide a description of User Training provided by the ASE IT department for new users and for all users on implementation of a major system enhancement.

Additionally, does the ASE IT Department provide any certification as to users' fitness to correctly operate the user portions of the ASE Trading System, i.e. is it required for members to receive approval for their staff to have access to the ASE Trading System?

## 12.d Business Conduct – Information about Customers

### d. Information about Customers

*This principle should embrace not only the requirement to obtain such information as may be necessary to recommend suitable investments to a customer, but Exchanges may wish to specify the type of the documentation to fulfil such a requirement. This is particularly important where the client has a fiduciary role, for example, a trust or estate or pension fund. Circumstances under which firms exercise discretionary trading powers should be defined, and it should be made explicit that such trading gives rise to other special fiduciary obligations.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE IT DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

**12.e Business Conduct – Information about Customers****e. Information for Customers**

*A confirmation of each transaction should be sent to customers, including note of such information as may be appropriate to confirm fair dealing. There should be disclosure of such facts as may impair a firm's independence in its dealings with customers. Market participants should keep and maintain a detailed record of each trade, in order to be able to respond to customers or the Exchange concerning best execution.*

*A market participant should disclose its financial condition to customers upon request*

In many markets the Exchange, on behalf of its members, will generate a Trade Confirmation. In some markets the Trade Confirmations are generated by the Exchange and delivered to the member firm, who in turn, deliver the Trade Confirmation to the customer. In other markets Trade Confirmations are generated by the Exchange and delivered directly to a member's customer based on standing instructions contained in the Exchange's Trading System. In many markets Exchanges do not issue Trade Confirmations at all.

Please provide a brief description of which model the ASE follows regarding the issuance, or non-issuance of Trade Confirmations.

**12.f Business Conduct – Conflicts of Interest****f. Conflicts of Interest**

*The increased complexity and sophistication of the securities business, along with the deregulation of the industry, has led to more numerous conflict of interest situations. Conflicts need to be managed in such a way that customers are not at a disadvantage. The most common conflicts include those between a market participant's investment banking, trading, research, mergers and acquisitions advisory business, and lending activities. Where feasible, conflicts should be managed by obtaining the informed consent of customers to a transaction. In addition, the management of conflicts may be ameliorated by the creation of appropriate Chinese walls.*

*Market participants should be especially sensitive to the conflicts that may exist between their trading activities and other commercial operations. Recommendations to customers must be based on the interests of customers and not be made to increase or reduce a market participant's trading position. Market participants and their employees cannot be permitted to effect trades for their own accounts ahead of customers' orders.*



**THERE IS NO INFORMATION REQUIRED FROM THE ASE IT DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

## **12.g Business Conduct – Conflicts of Interest**

### **g. Compliance**

*Market participants should ensure that their partners or officers and directors are sufficiently active in the affairs of the firm to demonstrate their compliance with statutory and self-regulatory obligations.*

*Firms should develop systems for the supervision of accounts of employees and compliance with applicable regulations. Rules of conduct for Exchange staff members as well as employees from market participants should be formulated. A system for reporting of employee securities transactions should be put in place by Exchanges and market participants. Such a system should include the need for prior consent by market participants for employees to maintain accounts of any other market participant.*

*Market participants should keep accurate and detailed records and ensure that all reports to be made are honest. Market participants should conform to the just and equitable principles of conduct embodied in exchange rules and commonly practised in the marketplaces in which they conduct business.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE IT DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

## **13. Transparency**

### **13.a Transparency - Statistics**

#### **a. Statistics**

*The market should have a statistics function which allows it to gain insights into the trading activity, activity on the primary market, indices, etc.*

*The methodology used in compiling the statistics should be clearly explained.*



Please provide a complete list of the statistics maintained by the ASE Trading System and a brief description of the statistical information maintained.

Also, please provide a brief, non-technical, description of how the ASE Trading System collects statistical information, including any formulated calculations that the system makes.

A Market Index is considered to be an important component of the market's data dissemination function. Please provide a complete description of the ASE Index composition and calculation. Also, please indicate if Index data can be changed and if so what are the procedures for making such changes.

### 13.b Transparency – Market Information

#### **b. Market Information**

*The Exchange should have systems and procedures in place assuring that important information related to listed companies and of a price-sensitive nature be distributed as soon as possible to all market participants. Pre- and post-trade information should be available for market participants and supervisors. Selected market data should be available to the public, either through the traditional media or using modern communication tools.*

A portion of the material required to document compliance with this segment of WFE Requirement 13 has already been documented in previous questions. However, since the WFE has chosen to treat the subject separately and for the sake of completeness, a separate response is required.

Please provide information as to how the ASE Trading System is used to distribute important information related to listed companies, i.e. a System Alert Message, Ticker Display, etc. In the event that the ASE Trading System is not used for this purpose please so state.

It is requested that the ASE IT Department provide a complete description of the ASE's Market Data dissemination process including: (i) how information is gathered by the system, (ii) how information is formatted for display, (iii) where is the information displayed, i.e. electronic ticker, on user work stations, releases to the media.

### 13.c Transparency – Trading

#### **c. Trading**

*The trading methodology should be transparent, in accordance with principles of fairness and equality and principles for the protection of investors. Principles like "time/price" priority, equitability and integrity must be adhered to.*

*The trading activity should be checked constantly by audit trails, stock watch systems, etc. on a real-time basis if possible. Investors should have access to public data, in order to verify that their orders were executed at a fair price. A firm should try to avoid conflicts of interest, and when they cannot be avoided, should ensure that its customers are fairly treated.*

This requirement is considered extremely important by the WFE. It is requested that the ASE IT Department provide a complete description of how the ASE Trading System supports and enforces the ASE's Trading Rules as stated in the ASE's By-Laws and Directives - *Directives for Trading in Securities at Amman Stock Exchange / Securities Market Issued by virtue of the provisions of Article 26 (A) of the Securities Law No. 23 of 1997.*

It is important that the responses to this segment of the WFE Requirement 13 be complete, specific and based on information from the current By-Laws and Directives, as recently approved by the JSC.

The methodology recommended to respond to this question is to take each of the Articles in the *Directives for Trading*, Articles 1 through 99 inclusive, and provide information as to how the ASE Trading System supports and/or enforces the requirements in the Article.

Requirements in many of the Articles are not at all related to the operations of the ASE Trading System. In the interest of completeness and consistency please respond to each Article and for those Articles that do not pertain to the operations of the ASE Trading System simply state NOT APPLICABLE.

## 14. Foreign Investment

*In the event that foreign investors are not allowed to trade domestic securities, and domestic investors are unable to trade foreign securities, a time plan should exist for the abolition of existing restrictions, including the authorities concerned. There should be no approval needed for foreign investment ; no inward or outward foreign exchange remittance restrictions that cause delays; no special classes of shares for foreign investors; no or minimal restrictions on the foreign ownership of home market securities.*

*The entire financial market must observe banking and other financial rules and regulations that exist for the prevention of money laundering and similar misuse of the financial markets to the detriment of their integrity and honesty.*

In the event that there are restrictions and/or special conditions that are applied by the ASE Trading System to foreign participants or foreign participants' transactions please provide specific information as to: (i) the nature of the restriction and/or special requirement, (ii) how the restriction and/or special requirement is applied by the system and (iii) the basis or reason for the application of the restriction and/or special requirement.

In the event that no such restrictions and/or special requirements are applied by the ASE Trading System please provide a brief statement supporting this fact.

## 15. Compliance with the Federation Recommendations

*Members and candidates for membership of World Federation of Exchanges are obligated to bring their business operations in line with these recommendations as rapidly as is feasible, and to assure that they remain in line or become even better.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE IT DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

# **AMMAN STOCK EXCHANGE**



## **WORLD FEDERATION OF EXCHANGES**

### **MEMBERSHIP APPLICATION**

### **COMPLIANCE WITH WFE PRINCIPLES**

**ASE**

**HUMAN RESOURCES DEPARTMENT**

### **QUESTIONNAIRE**

## 2. Organisation and Operations

Exchanges should have available and maintain adequate organisational infrastructure and operational resources to enable them to offer the proper tools for trading in securities.

### 2.a Legal Status

*The exchange should have the legal status of a recognized securities market in the country in which it is domiciled. A national securities law should be enacted covering the exchange(s), its powers and obligations.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE HUMAN RESOURCES DEPARTMENT RELATED TO THIS WFE REQUIREMENT.**

### 2.b Statutes

*The exchange should have properly drafted Statutes, at a minimum covering its governance, the composition of the governing body, indications for constituents from which council members are appointed/elected, its mission, and its rules and regulations.*

#### 2.b.1. ASE Mission

Please provide a brief statement as to the ASE's Mission. This statement should be consistent with statements issued in the past by the ASE, especially in the ASE Annual Report.

### 2.d Monitoring of Market Participants

*On an on-going basis, the exchange should have infrastructure in place for the supervision for which it has responsibility, indicating the frequency of monitoring, the scope of its authority, actions to be taken in case of non-compliance, etc. The financial and trade reporting obligations of market participants should have their formal basis here. The exchange's oversight should encompass capital adequacy, position limits, collateral quantity and quality, internal compliance rules, market conduct and behaviour. etc.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE HUMAN RESOURCES DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

## 2.e Organisational Structure

*The organisational structure of the exchange should be formal and allow for the correct management of financial market operations. The staff of the exchange needs to be fit and properly qualified for the job. A formalised human resources activity should be established to attract and keep professional staff, avoiding the risk to operations from high turnover.*

### 2.e.1 Exchange Operational Structure

In order to demonstrate compliance with WFE Principle 2, please provide a complete Organization Chart of the ASE.

The Organization need not contain individual names of ASE management and employees but should clearly illustrate how the ASE is organized by business function.

### 2.e.2 Exchange Staff

Please provide a staff profile for the ASE, including:

- Total number of management staff
- Total number of non-management staff
- Total number of non-full time staff (part-time employees, contract employees, interns and specialized professional staff utilized on an as needed basis, i.e. attorneys, accountants, IT personnel, etc.)
- Number of management & staff by organizational unit. Please insure that the names of the organizational units match those organizational units presented in the Organization Chart
- Average number of years at the ASE for management staff and average number of years at the ASE for non-management staff
- Average educational qualifications of management and non-management staff. Please note that individual names of individuals are not required.

#### Examples

**ASE EMPLOYEES – EDUCATIONAL PROFILE**

Staff Category	Number of Staff	Secondary Certification	University Degree	Advanced Degree

**ASE EMPLOYEES – FINANCIAL SERVICES EXPERIENCE PROFILE**

Staff Category	Average Years of Experience

**2.e.3 Staff Programs**

Please a listing of benefits provided to or available to Exchange employees such as:

- Medical Benefits Plan
- Educational Assistance
- Savings Incentive Plan(s)
- Retirement Plan(s)
- Financial Assistance Facilities

It is not necessary to provide a detailed description of any benefit plan provided to or available to Exchange employees. A brief description of any plan(s) offered will be sufficient.

**2.e.4 Staff Turnover**

If readily available please provide statistics related to the change in staff or staff turnover during the past 3 years. If actual statistics are not available then a reasonable estimate based on general knowledge will suffice.

**2.e.5 Human Resources Department**

Please provide a brief description of the roles and responsibilities of the Exchange's Human Resources Department.

**2.f Regulatory Infrastructure**

*At a minimum, the official exchange rules should include information on: trading, including transparency and reporting, listing, market participation, discipline and sanctions, clearing and settlement, and recourse procedures.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE HUMAN RESOURCES DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

## 2.h Funding the Organization

*The financial soundness of exchange should be the result of a sound business plan. It should show a positive track record for at least 3 years.*

*The annual report of the exchange needs to be certified by an independent chartered accountant, in compliance with International Accounting Standards (IAS), if necessary in the Notes to the Accounts or as a separate*

*The market should be designed to operate in a manner equitable to all who access it. Any differences in treatment among users, regardless of the means of access (electronic or other) must not be tolerated. Access to the market should not be arbitrarily granted, and no discrimination should be shown.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE HUMAN RESOURCES DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

**QUESTION 2.h HAS BEEN ASSIGNED TO THE ASE FINANCIAL DEPARTMENT**

## 3. Access to the Market

*The market should be designed to operate in a manner equitable to all who access it. Any differences in treatment among users, regardless of the means of access (electronic or other) must not be tolerated. Access to the market should not be arbitrarily granted, and no discrimination should be shown.*

*Procedures should be established such that market participants Adhere to the competence, integrity, financial soundness and authority, and that adequate supervision be in place.*

*Exchange rules and regulations must stipulate:*

- *terms and conditions for equal access to the market, including those to do with financial integrity and business ethics;*
- *the professionalism of intermediaries and their employees;*
- *minimum capital requirements and solvency of intermediaries;*
- *compliance instruments that safeguard the standing and credit worthiness of intermediaries;*
- *enforcement and disciplinary procedures, including the sanctions to be applied; and,*
- *management of conflicts of interest among and within market users.*



**THERE IS NO INFORMATION REQUIRED FROM THE ASE HUMAN RESOURCES DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

#### **4. Listing of and Disclosure on Traded Financial Products**

##### **4. a Exchange Requirements**

*Exchanges should require:*

- *that listed companies be of an adequate size and have sufficient shares in hands of the public to safeguard an orderly and fair market;*
- *timely, and the widest possible disclosure of business and financial information materially affecting listed companies;*
- *regular disclosure of financial information by listed companies; and,*
- *disclosure to investors of the nature, risk and investment potential inherent in the traded financial products.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE HUMAN RESOURCES DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

##### **4. b Exchange Goals – Cross Border Trading**

*Exchanges should work towards:*

- *regulatory co-ordination among markets where financial products are jointly listed, in order that there be a synchronized disclosure of information, and*
- *the support of cross-border listing and trading.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE HUMAN RESOURCES DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

#### **4. c Exchange Goals – Timely Listing Procedures**

*The listing procedures, time schedule for the processing of the dossier, costs or the company, minimum size of capitalisation, and other requirements should be compiled in one rulebook, which is publicly available. In case listing responsibilities are shared with the supervisory agency, it should be clear where the ultimate decision in the listing process lies. Foreign issuing companies should be subject to the same rules as the domestic ones.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE HUMAN RESOURCES DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

### **5. Trading**

#### **5.a Trading – Exchange Accountability**

*The accountability of the Exchange to market users should be described, especially in any agreements that seek to modify the distribution of responsibilities among actors.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE HUMAN RESOURCES DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

#### **5.b Trading – Audit Trails & Market Data Dissemination**

*Transaction audit trails should be available to investors and regulators; only the information to regulators will include non-public information. Pre- and post-trade information should be provided on a timely basis.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE HUMAN RESOURCES DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

## 5.c Trading – Market Transparency

*The transparency of the market is a crucial element of fairness and must be assured at all times. Although markets may offer different degrees of transparency depending upon the balance struck between transparency and liquidity, nevertheless, whatever the structure transactions must be reported immediately to the exchange, with details as to price and volume.*

*Exchanges should undertake:*

- *to promote well balanced transparency by publicly disclosing transaction data;*
- *to establish and maintain trading rules to protect investors, such as "best execution" rules, regulatory trading halts, etc.*
- *to create transparency with respect to the capacity in which the intermediaries operate.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE HUMAN RESOURCES DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

### 5.c.1 Trading – Market Transparency: Public Disclosure of Transaction Data

*Exchanges should undertake:*

- *to promote well balanced transparency by publicly disclosing transaction data;*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE HUMAN RESOURCES DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

### 5.c.2 Trading – Investor Protection: Trading Rules

*Exchanges should undertake:*

- *to establish and maintain trading rules to protect investors, such as "best execution" rules, regulatory trading halts, etc.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE HUMAN RESOURCES DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

#### 5.d Trading – Cross-Border Trading: Foreign Participants

*The market should allow for cross-border trading. Duplicative regulation of the accessed market by the authorities in the jurisdiction in which it is located ("home country regulator") and those in the jurisdiction in which the accessing party is located ("host country regulator") should be avoided.*

*Foreign players should have identical rights - and obligations - as local players, provided their business attitude and financial soundness are comparable to those required in the market of the access provider.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE HUMAN RESOURCES DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

#### 5.e Trading – Cross-Border Trading: Market Regulation

*The basic principle should be that national supervisory agencies must respect each other's efforts to assure that a securities market complies with generally accepted investor protection standards, such as disclosure, transparency and efficiency. This mutual recognition of each other's regulatory status and professional competence requires a good understanding of the mechanics and underlying approaches taken in that country.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE HUMAN RESOURCES DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

## 6. Clearing and Settlement

*The clearing and settlement facilities provided by the Exchange, its subsidiaries or others must provide for the efficient, safe and prompt settlement of transactions within the internationally accepted standards of the G-30 and ISSA, or be better.*

*The Exchange will :*

- *make adequate arrangements for safe and timely clearing, and correct settlement of the transactions concluded on the market ;*
- *see to it that cross-border clearing and settlement activities are facilitated;*
- *be instrumental in the development of national central securities depositories, immobilisation, dematerialisation of securities, lending and borrowing contracts and arrangements;*
- *contribute to the standardisation and implementation of securities industry processes;*
- *assure that ownership of securities should be explicitly embedded in national law.*

*A well-defined system of laws relating to property, contracts, securities, trusts, bankruptcy and taxation should exist.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE HUMAN RESOURCES DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

## 7. Technical Infrastructure

*The market IT systems should maintain adequate capacity to meet the needs of market users. Back-up systems and contingency procedures to be followed in the event of an operational failure are to be maintained on a current, ready basis. Before implementation and on a periodic basis thereafter, the market and system interfaces should be subject to an objective risk assessment to identify vulnerabilities, which may exist in the system design, development, or implementation. These would include the risk of unauthorised access, internal failures, human errors, attacks and natural catastrophes.*

## **THERE IS NO INFORMATION REQUIRED FROM THE ASE HUMAN RESOURCES DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

### **7.a.1 Contingency Plan Support**

Although the design and implementation of a Disaster Recovery Plan and/or a Business Resumption Plan is usually the responsibility of an Exchange's Information Technology Department, the Exchange's Human Resources in many cases manages the staff logistics required to put the plan into action, if and when required.

Many Exchanges' Human Resources Departments create personnel notification procedures to be utilized in case of a system outage. Additionally, many Exchange Human Resources Departments are responsible for creating logistics plans for transporting IT and Operational Personnel from one location to another, for arranging hotel accommodations in the event it and/or Operational staff are required to be on-site for a considerable amount of time or at odd, non-working hours.

In the event that the ASE Human Resources Department is responsible for any of these support tasks, please provide a brief outline describing the roles and responsibilities of the Human Resources Department.

### **7.a.2 Site Safety & Security**

Many Exchanges' Human Resources Departments are responsible for implementing building safety and security plans. Such plans are required in the event of a fire, flood or other natural disasters.

Additionally, Exchange Human Resource Departments have been assigned the responsibility for building security in order to insure that an Exchange's operating site(s) are protected from possible terrorist attack or intrusion by unauthorized persons. In the case where the ASE Human Resources Department does have this responsibility or similar responsibilities please provide a brief description of the Department's roles and responsibilities.

## **8. Risk Management**

*Regulators and the Exchange should consider any risk exposures pertinent to the system, including those arising from interaction with related financial systems, domestic or abroad. This would include the foreign exchange markets, derivative markets, the banking market and payment systems.*

*To assure the financial integrity of the market and the ability of its participants to fulfil their obligations as users, the Exchange should have in place risk management tools, such as position limits, margin requirements, minimum capital requirements, mark-to-market systems, etc.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE HUMAN RESOURCES DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

**8.a Risk Management – Position Limits**

**THERE IS NO INFORMATION REQUIRED FROM THE ASE HUMAN RESOURCES DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

**8.b Risk Management – Margin Requirements**

**THERE IS NO INFORMATION REQUIRED FROM THE ASE HUMAN RESOURCES DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

**8.c Risk Management – Minimum Capital Requirements**

**THERE IS NO INFORMATION REQUIRED FROM THE ASE HUMAN RESOURCES DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

**8.d Risk Management – Mark-to-Market Systems**

**THERE IS NO INFORMATION REQUIRED FROM THE ASE HUMAN RESOURCES DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

**9. The Settlement of Disputes, Dealing with Complaints of Investors, and Arbitration Facilities**

*The Exchange should put facilities in place which offer effective treatment of disputes and complaints from investors regarding the behaviour and business conduct of intermediaries. These should be as simple and expeditious as possible, within the limitations of national law.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE HUMAN RESOURCES DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

## 10. Supervision, Surveillance & Enforcement

*The Exchange must assure that mechanisms are in place to ensure that the information necessary to conduct adequate surveillance of the market for supervisory and enforcement purposes is available on a timely basis.*

*The securities regulatory agency must be established with broad inspection and enforcement authority, and adequate oversight over the players in the market. Its enforcement of applicable regulations must be transparent. In case of a division of regulatory responsibilities between the Exchange and the regulator, the responsibilities and powers of each party should be formalised and cover the entire area to be supervised.*

*Markets, which have a separate banking supervisor, should have a clear separation of responsibilities, in the event that banks may be actors on the securities markets. Regulatory co-ordination between the regulators should be fostered.*

*The Exchange should report to the regulator when it becomes aware that reasonable grounds exist to suspect that a market user may have violated the jurisdiction's laws, or its internal rules and regulations.*

*Records made or received by the Exchange stemming from the operation of its trading system, relating to financial statements, and data regarding indications of market interest, quotations, orders, and trades in the system itself should all be preserved for a reasonable period of time, in most instances meaning many years. These should be furnished promptly upon request by the relevant regulator.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE HUMAN RESOURCES DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

### 10.a Supervision, Surveillance & Enforcement – Surveillance Information

*The Exchange must assure that mechanisms are in place to ensure that the information necessary to conduct adequate surveillance of the market for supervisory and enforcement purposes is available on a timely basis.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE HUMAN RESOURCES DEPARTMENT RELATED TO THIS WFE REQUIREMENT**



**10.b Supervision, Surveillance & Enforcement – Enforcement**

*The securities regulatory agency must be established with broad inspection and enforcement authority, and adequate oversight over the players in the market. Its enforcement of applicable regulations must be transparent. In case of a division of regulatory responsibilities between the Exchange and the regulator, the responsibilities and powers of each party should be formalised and cover the entire area to be supervised.*

*Markets, which have a separate banking supervisor, should have a clear separation of responsibilities, in the event that banks may be actors on the securities markets. Regulatory co-ordination between the regulators should be fostered.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE HUMAN RESOURCES DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

**10.c Supervision, Surveillance & Enforcement – Supervision**

*The Exchange should report to the regulator when it becomes aware that reasonable grounds exist to suspect that a market user may have violated the jurisdiction's laws, or its internal rules and regulations.*

*Records made or received by the Exchange stemming from the operation of its trading system, relating to financial statements, and data regarding indications of market interest, quotations, orders, and trades in the system itself should all be preserved for a reasonable period of time, in most instances meaning many years. These should be furnished promptly upon request by the relevant regulator.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE HUMAN RESOURCES DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

## 11. Investor Protection

*Specific rules and regulations, like on disclosure and transparency, that serve to protect investors should be in place. These include guarantees such as compensation funds, insurance policies or their equivalent. If the Exchange or a related organisation holds or safeguards funds intended to guarantee the clearing of trades, or to compensate investors in the event of the insolvency of a member of the market, procedures and controls should be implemented to assure the availability of those funds. These funds are on stand-by as a lender of the last resort to the market.*

*A specific regime should be in place for staff of the Exchange and the clearinghouse/depository, to avoid conflicts of interest and insider trading. Comparable rules should be in place for all other users of the market. Insider trading and other forms of unfair markets should be prohibited, either by law or code of conduct, with adequate enforcement tools available.*

*Brokers and banks must assure absolute segregation between clients' money and their own accounts, and respect the priority in which client orders are executed.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE HUMAN RESOURCES DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

### 11.a Investor Protection - Guarantees

*Specific rules and regulations, like on disclosure and transparency, that serve to protect investors should be in place. These include guarantees such as compensation funds, insurance policies or their equivalent. If the Exchange or a related organisation holds or safeguards funds intended to guarantee the clearing of trades, or to compensate investors in the event of the insolvency of a member of the market, procedures and controls should be implemented to assure the availability of those funds. These funds are on stand-by as a lender of the last resort to the market.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE HUMAN RESOURCES DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

## 11.b Investor Protection – Conflicts of Interest

*A specific regime should be in place for staff of the Exchange and the clearinghouse/depository, to avoid conflicts of interest and insider trading. Comparable rules should be in place for all other users of the market. Insider trading and other forms of unfair markets should be prohibited, either by law or code of conduct, with adequate enforcement tools available.*

### 11.b.1 Conflict of Interest Monitoring

Most Exchange's have rules and regulations in place governing the purchase and sale of securities by Exchange management and employees. Exchange rules in this matter vary widely from some Exchanges imposing a strict prohibition on any member of the Exchange's management or staff from purchasing, selling or owning securities to those Exchange's that do not have any restrictions whatsoever on the activities of Exchange management and staff in the marketplace.

In the cases where Exchange's require management and staff to secure permission prior to purchasing and selling securities, the Exchange's Human Resource Department usually is responsible for monitoring the activities of Exchange management and staff in the marketplace.

Please state the responsibilities, if any, that the ASE Human Resources Department has in monitoring the purchase and sale of securities by Exchange management and employees.

If the ASE Human Resources Department does not have any responsibilities in this area please so state.

## 11.c Investor Protection – Segregation of Assets

*Brokers and banks must assure absolute segregation between clients' money and their own accounts, and respect the priority in which client orders are executed.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE HUMAN RESOURCES DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

## 12. Business Conduct

*One of the most important parameters for regulated markets is the level of investor confidence achieved through both the national legal environment and the market regulatory infrastructure. An important element of investor confidence is the fair treatment of the customer. This section elaborates the IOSCO International Conduct of Business Principles (the IOSCO Principles) and puts them in the context of markets, their participants and customers. It aims at offering a benchmark of best practice against which members which have existing codes or formal regulations could test their practice and perhaps revise their codes.*

*Obligations that may be imposed on listed companies, their employees, or investors are not covered here.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE HUMAN RESOURCES DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

### 12.a Business Conduct – Honesty & Fairness

#### a. Honesty and Fairness

*A stock market's pricing system being its key function, members of the financial community should honour the integrity of the price formation mechanism. Market participants should go further than avoiding misleading or deceptive acts or representations. They should refrain from any action that would hinder or disrupt the fair and orderly functioning of the market.*

*They should not spread groundless or false information about listed issuers and refrain from any activities designed to mislead others about the true state of the market. Therefore, consideration should be given to outlawing specific manipulative practices, such as trades that involve no change of beneficial ownership or trades that give a false appearance of activity.*

*Although manipulation of prices (including insider dealing) may be prohibited by statutory law as well as exchange rules, specific trading strategies may not be interdicted. In permitting new trading strategies, stock markets should take into consideration the integrity of their pricing mechanisms, provided, however, that such consideration should not be an excuse for anti-competitive decision-making.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE HUMAN RESOURCES DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

**12.b Business Conduct – Diligence**

**b. Diligence**

*The diligence required in effecting securities transactions is best execution of customer orders. This involves executing agency orders promptly, and if a market order, at the best available price. Charges should be an agreed upon, or else be based on a customary, commission that is fully disclosed. Diligence also involves executing net trades or principal orders at a price closely related to the market price, especially where off-market trading is permitted and disclosing, as may be appropriate to the marketplace, the basis of the mark up or mark down to the customer. Whether the firm is acting in its capacity as principal or agent should also be disclosed to customers.*

*Recommendations by market participants or their employees to customers as to the purchase or sale of securities should be based on adequate and reliable information about the issuer and the nature of the financial instrument. An underwriter should exercise due diligence with regard to an issuer's business affairs and financial condition when preparing an offering.*

*Where an involuntary sale of a customer's securities must be made (due to an unanswered margin call or for other reasons), the market participant should conduct that sale with skill and due care to follow market pricing.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE HUMAN RESOURCES DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

## 12.c Business Conduct – Capabilities

### c. Capabilities

*Consideration should be given to what qualifications Exchanges should impose for membership, and for the qualifications of employees. At the very least, individual market participants or their employees should be fit and proper persons without any record of dishonest or seriously fraudulent activities. Professional training should be expected and competence appropriate to a person's professional position should be demonstrated.*

*Exchanges should have financial responsibility rules for market participants. Market participants should adhere to such rules in a manner that does not jeopardise customer funds or securities held as custodian or the ability of a market participant to complete transactions with other market participants. Market participants should be required to monitor and calculate their financial position with sufficient frequency to remain in compliance with market rules on capital adequacy and solvency.*

#### 12.c.1 Business Conduct – Employee Capabilities

What responsibilities does the ASE Human Resources Department have in the determination of the Exchange's employees' capabilities?

The determination of an employee's capabilities may be reviewed and accepted at the time of the employee's initial employment. Many exchanges and financial services firms also have on-going or continuing education requirements for their employees.

The securities markets are extremely dynamic in their operation with changes occurring almost constantly. Most Exchange's do have a policy of periodically reviewing employees' capabilities in order to insure that the Exchange is properly staffed to supported changes in the marketplace.

In the event that the ASE does have a role in determining Exchange employees' capabilities please state the policy and implementation of the ASE Human Resources Department in this area.

## 12.d Business Conduct – Information about Customers

### d. Information about Customers

*This principle should embrace not only the requirement to obtain such information as may be necessary to recommend suitable investments to a customer, but Exchanges may wish to specify the type of the documentation to fulfil such a requirement. This is particularly important where the client has a fiduciary role, for example, a trust or estate or pension fund.*

*Circumstances under which firms exercise discretionary trading powers should be defined, and it should be made explicit that such trading gives rise to other special fiduciary obligations.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE HUMAN RESOURCES DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

## 12.e Business Conduct – Information about Customers

### e. Information for Customers

*A confirmation of each transaction should be sent to customers, including note of such information as may be appropriate to confirm fair dealing. There should be disclosure of such facts as may impair a firm's independence in its dealings with customers. Market participants should keep and maintain a detailed record of each trade, in order to be able to respond to customers or the Exchange concerning best execution.*

*A market participant should disclose its financial condition to customers upon request*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE HUMAN RESOURCES DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

## 12.f Business Conduct – Conflicts of Interest

### **f. Conflicts of Interest**

*The increased complexity and sophistication of the securities business, along with the deregulation of the industry, has led to more numerous conflict of interest situations. Conflicts need to be managed in such a way that customers are not at a disadvantage. The most common conflicts include those between a market participant's investment banking, trading, research, mergers and acquisitions advisory business, and lending activities. Where feasible, conflicts should be managed by obtaining the informed consent of customers to a transaction. In addition, the management of conflicts may be ameliorated by the creation of appropriate Chinese walls.*

*Market participants should be especially sensitive to the conflicts that may exist between their trading activities and other commercial operations.*

*Recommendations to customers must be based on the interests of customers and not be made to increase or reduce a market participant's trading position. Market participants and their employees cannot be permitted to effect trades for their own accounts ahead of customers' orders.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE HUMAN RESOURCES DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

## 12.g Business Conduct – Conflicts of Interest

### **g. Compliance**

*Market participants should ensure that their partners or officers and directors are sufficiently active in the affairs of the firm to demonstrate their compliance with statutory and self-regulatory obligations. Firms should develop systems for the supervision of accounts of employees and compliance with applicable regulations. Rules of conduct for Exchange staff members as well as employees from market participants should be formulated. A system for reporting of employee securities transactions should be put in place by Exchanges and market participants.*

*Such a system should include the need for prior consent by market participants for employees to maintain accounts of any other market participant.*

*Market participants should keep accurate and detailed records and ensure that all reports to be made are honest. Market participants should conform to the just and equitable principles of conduct embodied in exchange rules and commonly practised in the marketplaces in which they conduct business.*



This portion of WFE Principle 12 concerns the ASE in that portion of the Principle that states:

***Rules of conduct for Exchange staff members as well as employees from market participants should be formulated. A system for reporting of employee securities transactions should be put in place by Exchanges and market participants. Such a system should include the need for prior consent by market participants for employees to maintain accounts of any other market participant.***

In order for the ASE to supply documentation regarding this requirement please provide information on the questions, below. Please note that information required is concerned only with non-management employees of the ASE. Information related to this WFE Principle regarding ASE management and Members of the ASE Board of Directors have been addressed in the ASE Legal Department Questionnaire.

#### ASE Employee Market Transactions

- 1) Are employees of the ASE permitted to buy and sell shares in companies that are listed on the ASE?
- 2) If the answer to 1) is No, then please provide information on the ASE's policy that specifically prohibit ASE employees from Buying and selling shares in companies that are listed on the ASE.
- 3) If the answer to 1) is No, then please state whether the prohibition on ASE employees buying and selling shares in companies listed on the ASE extends to employees' families.
- 4) If the answer to 1) is Yes, then please state the ASE policy regarding the conditions under which an ASE employee may buy and sell shares in companies listed on the ASE:
  - ♦ What permission or permissions must the employee obtain?
  - ♦ Are there any limits on what companies an ASE employee may or may not buy and sell shares in?
  - ♦ Are there any financial limits governing an ASE employee's purchases and sales, i.e. an ASE employee may not purchase or sell shares with a contract value equal to or above a specific amount of money?
- 5) If the answer to 1) is No, then what are the consequences incurred by an ASE employee who violates the ASE's policy?
- 6) If the answer to 1) is Yes, then is there any requirement on the part of the ASE to notify the JSC?
- 7) If there is a JSC reporting requirement then what are the requirements, Format and time deadlines for the filing of such a report with the JSC?

## 13. Transparency

### 13.a Transparency - Statistics

#### **a. Statistics**

*The market should have a statistics function which allows it to gain insights into the trading activity, activity on the primary market, indices, etc. The methodology used in compiling the statistics should be clearly explained. and diligence, in the best interests of its customers and the integrity of the market.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE HUMAN RESOURCES DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

### 13.b Transparency – Market Information

#### **b. Market Information**

*The Exchange should have systems and procedures in place assuring that important information related to listed companies and of a price-sensitive nature be distributed as soon as possible to all market participants. Pre- and post-trade information should be available for market participants and supervisors. Selected market data should be available to the public, either through the traditional media or using modern communication tools.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE HUMAN RESOURCES DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

### 13.c Transparency – Trading

#### **c. Trading**

*The trading methodology should be transparent, in accordance with principles of fairness and equality and principles for the protection of investors. Principles like "time/price" priority, equitability and integrity must be adhered to.*

*The trading activity should be checked constantly by audit trails, stock watch systems, etc. on a real-time basis if possible. Investors should have access to public data, in order to verify that their orders were executed at a fair price. A firm should try to avoid conflicts of interest, and when they cannot be avoided, should ensure that its customers are fairly treated.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE HUMAN RESOURCES DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

#### **14. Foreign Investment**

*In the event that foreign investors are not allowed to trade domestic securities, and domestic investors are unable to trade foreign securities, a time plan should exist for the abolition of existing restrictions, including the authorities concerned. There should be no approval needed for foreign investment ; no inward or outward foreign exchange remittance restrictions that cause delays; no special classes of shares for foreign investors; no or minimal restrictions on the foreign ownership of home market securities.*

*The entire financial market must observe banking and other financial rules and regulations that exist for the prevention of money laundering and similar misuse of the financial markets to the detriment of their integrity and honesty.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE HUMAN RESOURCES DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

#### **15. Compliance with the Federation Recommendations**

*Members and candidates for membership of World Federation of Exchanges are obligated to bring their business operations in line with these recommendations as rapidly as is feasible, and to assure that they remain in line or become even better.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE HUMAN RESOURCES DEPARTMENT RELATED TO THIS WFE REQUIREMENT**





## 2. Organisation and Operations

***Exchanges should have available and maintain adequate organisational infrastructure and operational resources to enable them to offer the proper tools for trading in securities.***

### 2.a Legal Status

***The exchange should have the legal status of a recognized securities market in the country in which it is domiciled. A national securities law should be enacted covering the exchange(s), its powers and obligations.***

### QUESTIONS

2.a.1 Provide a brief history of the legislation developed since 1978. Show gradual progression of the Laws as it affected the capital markets in general and the ASE in particular.

- Temporary Law No. (31) for the Year 1976 (Creation of the Amman Financial Market -AFM).
- Temporary Law No. (23) for the Year 1997 (Split of AFM into the JSC, the ASE and the SDC)
- Temporary Law No.(76) for the Year 2002

2.a.2 In order to illustrate the comprehensive nature of the New Securities Law (Temporary Law No. 76 for the year 2002), list each Article related to the ASE with the Article number, name and a one or two sentence statement providing information on the Article.

### ***Examples***

Temporary Law No. (76) for the Year 2002  
The Securities Law  
The Stock Exchange

***ASE Legal Foundation***

**Article 65**

A - A Stock Exchange known as the Amman Bourse shall be established in the Kingdom, and shall have a legal personality with financial and administrative autonomy. As such, it may carry out all legal acts including entering into contracts in its own name and acquiring and disposing of movable and immovable property, and shall have the right to sue and be sued and to authorize any attorney to act on its behalf in legal proceedings.

G – The Amman Bourse shall be subject to monitoring, supervision and inspection by the Commission, which may also audit the Bourse's registers.

**Article 67**

A – A Trading Market in Securities shall be licensed as a Stock Exchange in accordance with the provisions of this Law and the instructions issued by the Board in this regard.

B – A Trading Market in Securities shall not be licensed as a Stock Exchange unless the Board determines that such a Trading Market is organized and has the capacity to enforce compliance by its members and persons associated with its members with the provisions of this Law and the regulations, instructions and decisions issued pursuant thereto, and with its own by-laws and instructions.

Please provide any Articles from the Securities Law that specifically support the establishment and operation of the ASE as a legal Trading Market in Securities.

**Examples**

**Internal By-Laws  
of the  
Amman Stock Exchange Securities Market  
Issued by virtue of Articles (25) and (73) of the Securities Law No [23] of the year  
1997**

**(NOTE: Information is based on the old By-Laws  
please be sure that any information provided  
is from the current By-Laws)**

**Article 1:**

These Regulations shall be called the 'Regulations of the Amman Stock Exchange of 1999'. They shall enter into effect as of the date decided upon by the Board of Commissioners of Jordan Securities Commission.

**Article 3:**

A. The Stock Exchange shall be the only authorized party to operate as an official market for trading in securities in the Kingdom. It shall have a Legal Personality, with financial and administrative autonomy. In such a capacity, it shall be entitled to carry out all legal actions, including entering into contracts, owning and disposing of movable and immovable property, and hiring a full-fledged attorney to represent it in judicial procedures.

**Article (65)**

A – The Amman Stock Exchange Legally Established

B – Amman Stock Exchange Membership

C – Amman Stock Exchange Management

**2.b Statutes**

*The exchange should have properly drafted Statutes, at a minimum covering its governance, the composition of the governing body, indications for constituents from which council members are appointed/elected, its mission, and its rules and regulations.*

**QUESTIONS****2.b.1 Mission of the Amman Stock Exchange**

- Provide brief, i.e. one or two paragraphs, statement defining the Exchange's Mission;

**2.b.2 In order to document the ASE's structure under the law, list those Articles of the Temporary Law No. (76) for the Year 2002 that refer to the ASE's:**

- Governance
- Composition of the Governing Body
- How Governance Members are Appointed or Elected (if contained in the Law)
- Any other Articles in the Law that refer to the Governance of the ASE

**Examples**

Temporary Law No. (76) for the Year 2002  
Stock Exchange



**Article (65)**

C - The Amman Bourse shall be managed by a board of Directors and a chief executive officer employed on a full-time basis. The rules and procedures governing the Bourse's general assembly, the formation of its board of directors.

2.b.3 In order to illustrate the comprehensive nature of the ASE's By-Laws & Statutes list each Article in the ASE By-Laws & Statutes with the Section number and name that refer to the ASE's:

- Governance
- Composition of the Governing Body
- How Governance Members are Appointed or Elected (if contained in the Law)
- Any other Articles in the ASE By-Laws and Regulations that refer to the Governance of the ASE

**Examples**

Internal By-Laws  
Of

Amman Stock Exchange Issued by virtue of the provisions of Article 26 (e) of  
the Securities Law No. 23 of 1997

**(NOTE: Information is based on the old By-Laws  
please be sure that any information provided  
is from the current By-Laws)**

**Article 10**

- a. The Stock Exchange shall be managed by a Board of Directors composed of seven members.
- b. The Board of Directors shall consist of:
  1. Two members representing banks licensed to perform activities of financial services companies as financial brokers, and financial brokerage companies which are owned by or affiliates of banks.
  2. Three members from financial services companies licensed as financial brokers.
  3. Two members from the private sector who are experts in legal, financial and economic fields and are appointed by the Board.
- c. The term of the Board of Directors shall be for three years, and no member can be elected or appointed for more than two succeeding sessions.
- d. At its first session, the Board of Directors shall elect from among its members a Chairman and a Vice-Chairman.

- e. The Chief Executive Officer shall attend Board of Directors' meetings, and take part in the discussion without the right to vote.
- f. The Board of Directors shall appoint a Secretary from among the senior staff of the Stock Exchange.

## 2.c Market Participants

*The requirements for market participants should cover: objective qualifications, experience, structure, capital adequacy rules, disciplinary issues, and rights and obligations. Foreign market participants should normally be allowed, adopting mutual recognition of World Federation of Exchanges member market participants. Traders should be authorized to act only at the end of a structured training process and after having passed a qualifying exam.*

## QUESTIONS

This principle covers many issues relating to suitability of market participants to engage in market business. The issues to be addressed in Principle 2.c include requirements related to participants:

- Objective Qualifications
- Business Experience
- Business Organization and Structure
- Capital Adequacy
- Disciplinary Procedures
- Rights
- Obligations
- Traders Training Requirements
- Traders Qualifying Exam

### Examples

Temporary Law No. (76) for the Year 2002  
Stock Exchange

### Article (47)

A- Unless licensed by the Board in accordance with instructions issued thereby, no person may engage in business as:

1. Financial Broker;
2. Dealer;
3. Investment Trustee;
4. Investment Manager;

5. Financial Advisor;
6. Underwriter,
7. Financial Services Company;
8. Custodian;
9. Any other activities relating to securities determined by the Board.

C- The Board shall, in accordance with instructions issued thereby, determine the nature of the activities referred to in Paragraph (A) of this Article, the licensing requirements for each, the registration requirements for Registered Persons, and standards of training, experience, and competence for such. The Board may subject applicants to an examination or to any other demonstration establishing satisfaction of prescribed standards.

Additionally, Principle 2.c addresses the issue of market involvement by Foreign Participants and any Laws, rules and regulations specific to Foreign Participants.

It may be sufficient to state that in Temporary Law No. (76) for the Year 2002: Securities Law - Licensing, Registration and Monitoring , Article (47) through Article (64), inclusive, there are no requirements specific and exclusive to the Licensing, Registration and Monitoring of Foreign Participants that are additional to or different from those require of Domestic Participants.

***However, it must actually be determined that there are no special requirements for Foreign Participants anywhere else in the Securities Law.***

2.c.1 In order to illustrate the comprehensive nature of the ASE's By-Laws & Statutes list each Article in the ASE By-Laws & Statutes with the Section number and name that refer to the ASE participants

- Objective Qualifications
- Business Experience
- Business Organization and Structure
- Capital Adequacy
- Disciplinary Procedures
- Rights
- Obligations
- Traders Training Requirements
- Traders Qualifying Exam

**Examples**

Internal By-Laws  
of  
Amman Stock Exchange Issued by virtue of the provisions of Article 26 (e) of  
the Securities Law No. 23 of 1997

**(NOTE: Information is based on the old By-Laws  
please be sure that any information provided  
is from the current By-Laws)**

**Article 6**

a. Stock Exchange members shall consist of financial services companies licensed by the Commission to perform financial brokerage activities.

**Article 17:**

The Board of Directors shall have the following functions and competences:

a. Managing and developing the Stock Exchange, including inter alia:

13. Accepting licensed financial brokers, setting their numbers and association and subscription fees with the approval of the Securities' Commission.

b. Upon the approval of the Board, setting the needed regulations and directives for managing Stock Exchange affairs, inter alia;

5. Standards of professional ethics that must be applied by members of the Stock Exchange and of the Board of Directors, the chief executive officer and the staff, and the penalties imposed in case of non respect thereof.

Directive for Trading in Securities  
at  
Amman Stock Exchange Issued by virtue of the provisions of Article 26 (e) of  
the Securities Law No. 23 of 1997

**(NOTE: Information is based on the old By-Laws  
please be sure that any information provided  
is from the current By-Laws)**

**Article 13:**

A certified broker must pass ASE's prescribed examination.

## 2.d Monitoring of Market Participants

*On an on-going basis, the exchange should have infrastructure in place for the supervision for which it has responsibility, indicating the frequency of monitoring, the scope of its authority, actions to be taken in case of non-compliance, etc. The financial and trade reporting obligations of market participants should have their formal basis here. The exchange's oversight should encompass capital adequacy, position limits, collateral quantity and quality, internal compliance rules, market conduct and behaviour, etc.*

### QUESTIONS

2.d.1 In order to document the JSC's powers under the Law, list those Articles of the Temporary Law No. (76) for the Year 2002 that refer to the JSC's requirements for the ongoing supervision of participants' and their business practices, including:

- Frequency of Monitoring
- Scope of the Commissions Authority
- Commission Actions to be taken in cases of non-compliance

#### **Examples**

Temporary Law No. (76) for the Year 2002  
Licensing, Registration and Monitoring

#### **Article(54)**

A- The Board shall issue the instructions and decisions specifying the records to be maintained and kept by the Licensed Persons and such Person's obligation to submit any copies thereof requested by the Commission.

B- The Commission employees authorized by the Chairman, may at any time inspect and view the records mentioned in Paragraph (A) of this Article periodically or whenever necessary to protect the investors and ensure public interest.

2.d.2 In order to document the JSC's powers under the Law, list those Articles of the Temporary Law No. (76) for the Year 2002 that refer to the JSC's requirements for the ongoing supervision of participants' Financial Reporting, including:

- Capital Adequacy
- Position Limits
- Acceptable Collateral Quality and Quantity
- Internal Compliance Rules

- Market Conduct & Behaviour

In many cases the requirements for participants will not be specifically assigned to the Commission in the Law but will be delegated to the Exchange and/or the Securities Depository. In cases where this occurs please state the requirement as being Not Applicable to the Commission.

### **Examples**

#### Temporary Law No. (76) for the Year 2002 The Securities Commission

##### **Article(12)**

M- Adopting the accounting, auditing and performance evaluation standards to be followed by the parties subject to the Commission's monitoring;

##### **Article (15)**

B- The entities referred to in Paragraph (A) of this Article shall be subject to inspection and to the auditing of its documents, records and registers by the competent entity within the Commission legally authorized to do so.

C- To realize the purposes of this Law and the regulations, instructions and decisions issued pursuant thereto, the documents, records and registers, wherever mentioned, shall include the bank statements, correspondence, memoranda, documents, computer files, or any other means for filing information and data whether written or electronic.

##### **NOTE:**

*A brief review of the Securities Law of 2002 does not show any specific references to market participant requirements for:*

- *Capital Adequacy*
- *Position Limits*
- *Acceptable Collateral Quality and Quantity*
- *Internal Compliance Rules*

*It is important that there be some supporting Articles in the Law to support these items.*

**2.d.3** In order to illustrate the comprehensive nature of the ASE's By-Laws & Statutes list each Article in the ASE By-Laws & Statutes with the Section number and name that refer to the ASE participants

- Capital Adequacy
- Position Limits
- Acceptable Collateral Quality and Quantity

- Internal Compliance Rules
- Market Conduct & Behaviour

### **Examples**

#### Code of Ethics of

Amman Stock Exchange Issued by virtue of the provisions of Article 26 (e) of the Securities Law No. 23 of 1997

**(NOTE: Information is based on the old By-Laws  
please be sure that any information provided  
is from the current By-Laws)**

#### **Article 6:**

A. Each member shall organize its work in a responsible manner, and shall provide sufficient human, technical and financial resources to conduct its business, in accordance with the operative regulations and directives, including these Directives. In particular, the member shall consider the following:

- 1) Setting up suitable bases, lists regulations and procedures for the execution and settlement of transactions, as well as for keeping records and reports.
- 2) Laying out suitable administrative and internal audit procedures.

B. Each member shall keep its financial records and papers in accordance with the accepted accounting standards.

Jordan Securities Commission – Rules and Regulation

**(NOTE: Information is obtained from  
JSC Rules & Regulation based on 1997 Securities Law.  
Please be sure that any information provided  
Reflects JSC Rules & Regulations based on  
Securities Law of 2002)**

Directives of Licensing Financial Services Companies and Certified Financial Professionals

### **Chapter 1 (Financial Services Companies)**

#### **Article 3**

Granting licenses to practice any of the activities of financial services companies or renewals thereof shall be subject to the following conditions:

- a. The license applicant shall be a Public Shareholding Company, a Limited Liability Company or a Limited Partnership in Shares Company.
- b. If the license applicant is a bank, the license shall be granted provided practice is through a subsidiary or affiliate company, or through separate accounts.

- c. The minimum paid capital of the company for each requested activity shall be as follows:
  - 1. Investment trusteeship 250,000 JD.
  - 2. Investment management 500,000 JD.
  - 3. Financial advisory 30,000 JD.
  - 4. Financial brokerage
    - A. Brokerage for commission only
    - B. Brokerage for commission and dealing in securities for own account 250,000 JD. 500,000 JD.
  - 5. Depository services 1,000,000 JD.
  - 6. Management of primary issues
    - A. Issue manager
    - B. Underwriter 100,000 JD. 5,000,000 JD.
- d. If a company practices two or more of the activities of financial services companies, its minimum capital requirement shall be equal to the sum of the minimum capital requirements of each of the activities it practices, in accordance with the provisions of Paragraph (b) [sic] of this Article.
- e. The company's management shall have the requisite experience and qualification to carry out the company's activities in accordance with the provisions of these Instructions and any instructions issued by the Board.
- f. The company shall submit a bank guarantee to the order of the Commission in the amount specified by the Board, provided the amount of the guarantee for each activity shall not exceed the following:
- g.
  - 1. Investment trusteeship 100,000 JD.
  - 2. Investment management 250,000 JD.
  - 3. Financial advisory 10,000 JD.
  - 4. Financial brokerage 150,000 JD.
  - 5. Depository services 250,000 JD.
  - 6. Management of primary issues:
    - A. Issue manager 50,000 JD.
    - B. Underwriter 500,000 JD.



- h. The guarantees shall be a surety against the obligations of the companies against others, and so as to ensure compliance with the legislation in force.

The licensing fees and the annual licensing renewal fees are paid in accordance with the issued regulations and instructions.

### **Article 5**

Net shareholders equity shall constitute at least (75%) of the company's minimum capital requirement as determined on the basis of the activities the company is licensed to practice.

## **2.e Organisational Structure**

*The organisational structure of the exchange should be formal and allow for the correct management of financial market operations. The staff of the exchange needs to be fit and properly qualified for the job. A formalised human resources activity should be established to attract and keep professional staff, avoiding the risk to operations from high turnover.*

## **2.f Regulatory Infrastructure**

*At a minimum, the official exchange rules should include information on: trading, including transparency and reporting, listing, market participation, discipline and sanctions, clearing and settlement, and recourse procedures.*

**2.f.1** In order to illustrate the comprehensive nature of the ASE's By-Laws & Statutes list each Article in the ASE By-Laws & Statutes with the Section number and name that refer to the ASE Trading Rules with a focus on:

- Order Entry Rules & Requirements
- Transparency of Orders Entered
- Transparency of Market Data (Trade Reporting)
- Bloc Trade Requirements & Procedures
- Disciplinary Procedures & Sanctions for Violation of Trading Rules
- Recourse Procedures (Arbitration & Dispute Resolution)

**INFORMATION FOR THIS SEGMENT WILL BE OBTAINED FROM THE DEC LEGAL DEPARTMENT QUESTIONNAIRE AND THE SDC OPERATIONS DEPARTMENT QUESTIONNAIRE**

### **Examples**

Internal By-Laws of the Amman Stock Exchange Securities Market

Issued by virtue of Articles (XX) and XX) of  
Temporary Law No. (76) for the Year 2002  
Directives for Trading in Securities

**(NOTE: Information is based on the old By-Laws  
please be sure that any information provided  
is from the current By-Laws)**

**Article 12:**

Entering and executing buying and selling orders through the electronic trading system shall be restricted to certified brokers.

**NOTE: All Articles in the ASE By-Laws & Directives should be included. In the old By-Laws & Directives this would include Article 17 through Article 99, inclusively.**

**2. h. Funding of the Organization****2.h.1 Funding Sources**

In order to document ASE compliance with WFE requirements please cite the specific By-Laws & Statutes that refer to the ASE's:

- Sources of Operating Funds
- Fees that may be charged and collected by the ASE
- Any fines or other special charges the ASE may assess and collect
- Any investment income the ASE may have and if so the conditions and controls placed on the sources of this investment income.
- Funds paid by the

**2.h Funding the Organization**

*The financial soundness of exchange should be the result of a sound business plan. It should show a positive track record for at least 3 years.*

*The annual report of the exchange needs to be certified by an independent chartered accountant, in compliance with International Accounting Standards (IAS), if necessary in the Notes to the Accounts or as a separate statement in addition to compliance with any different*

**QUESTION 2.h HAS BEEN ASSIGNED TO THE ASE FINANCIAL DEPARTMENT**

### 3. Access to the Market

***The market should be designed to operate in a manner equitable to all who access it. Any differences in treatment among users, regardless of the means of access (electronic or other) must not be tolerated. Access to the market should not be arbitrarily granted, and no discrimination should be shown.***

#### 2.h.1 Exchange Business Plan

Information required for this requirement is contained in the ASE Financial Department Questionnaire

#### 2.h.2 Exchange Annual Report & Certified Public Account Certification

Information required for this requirement is contained in the ASE Financial Department Questionnaire

#### 2.h.3 One Class of Participant

In order to illustrate the compliance of the ASE's By-Laws & Statutes with the WFE's requirements for equal access it is necessary to document the fact that there are no separate classes of participants in the ASE's membership. The important point to be supported is that once a trading firm meets the ASE's admission requirements and continues to meet the admission requirements that firm will have equal access to all of the Exchange's facilities regardless of the firm's financial size or market activity.

#### **Examples**

Internal By-Laws of the Amman Stock Exchange Securities Market  
Issued by virtue of Articles (XX) and (XX) of  
Temporary Law No. (76) for the Year 2002

**(NOTE: Information is based on the old By-Laws  
please be sure that any information provided  
is from the current By-Laws)**

#### **Article 4:**

The Stock Exchange shall do the following:

- b Provide means of connection and communication and equipped trading halls with the necessary technical tools and devices to record and trade in securities, and to perform its other activities.
- d Lay out the profession's code of ethics and instill fair and impartial principles of work in its members

f Supervise the professional activities of its members and the market transactions, as well as lay out and implement rules relevant to the use of the Stock Exchange utilities, facilities and services.

**Article 6:**

- a. Stock Exchange members shall consist of financial services companies licensed by the Commission to perform financial brokerage activities.

**Article 17:**

The Board of Directors shall have the following functions and competences:

13. Accepting licensed financial brokers, setting their numbers and association and subscription fees with the approval of the Securities' Commission.

Please include Articles from the Exchange's By-Laws pertaining to Fees & Commissions to support the fact that all Exchange members are subject to the same Fees & Commissions Schedule, similar to the example, below.

Regulations for the Fees and Commissions of the Amman Stock Exchange  
Issued by virtue of the provisions of  
Articles 9 (J), 26 and 27 of the Securities Law No. 23 of 1997

**(NOTE: Information is based on the old By-Laws  
please be sure that any information provided  
is from the current By-Laws)**

**Article 6:**

A. The Stock Exchange shall collect a membership fee of 200,000 (two hundred thousand) Jordan Dinars, once only, from the company granting the license to conduct financial brokerage activities.

B. The Stock Exchange shall collect an annual subscription fee of 500 (five hundred) Jordan Dinars from the member.

**NOTE:** Article 6 establishes the fact that the Exchange does not have different membership fees for different classes of Exchange membership. After citing the appropriate Articles related to Exchange membership, a short paragraph should be added stating that based on the Articles cited from the ASE's By-Laws, all exchange members are treated equally and are provided with equal access to the Exchange's facilities.

### 3. Access to the Market

*Procedures should be established such that market participants adhere to the compliance, integrity, financial soundness and authority and that adequate supervision be in place*

*Exchange rules and regulations must stipulate:*

- *terms and conditions for equal access to the market including those to do with financial integrity and business ethics;*
- *the professionalism of intermediaries and their employees ;*
- *minimum capital requirements and solvency of intermediaries;*
- *compliance instruments that safeguard the standing and credit worthiness of intermediaries*
- *enforcement and disciplinary procedures, including the sanctions be applied; and,*
- *management of conflicts of interest among and within market users*

#### 3.a.1 Equal Market Access

- terms and conditions for equal access to the market including those to do with financial integrity and business ethics;

This requirement, in part, relates to equal access and as such information in response to Question 2.h.3 may be repeated here.

The important point to document is the fact that the ASE provides equal access to all Exchange members in good standing and does not provide any special business and technical privileges that would provide one member or members with access to and use of market facilities that are more advantageous than any other members.

Please include all possible information from the ASE By-Laws that refer to Exchange access by members, including the definition of Broker included in the ASE's Directives on Trading Securities which states:

**Article 2:**

The following words and expressions shall have the meanings assigned to them hereunder, and the words and expressions that are undefined in these Directives shall have the meanings assigned to them in the Securities Law, unless otherwise indicated by context.

**Broker:** A juristic person licensed by the Commission to perform financial brokerage activities.

**Certified Broker:** A natural person licensed by the Commission to perform financial brokerage activities.

These definitions are important since it clearly states that under the ASE's By-Laws there is one, and only one, type of Broker and only one type of Certified Broker. This requirement also covers the equal treatment of all Exchange members in terms of compliance with business ethics and financial integrity.

**Business Ethics**

In response to this requirement please provide the ASE's complete Code of Ethics, Articles 1 through 17, inclusively, as stated in:

Code of Ethics  
of  
Amman Stock Exchange Issued by virtue of the provisions of Article 26 (e) of  
the Securities Law No. 23 of 1997

**(NOTE: Information is based on the old By-Laws  
please be sure that any information provided  
is from the current By-Laws)**

**3.a.2 Market Intermediary Professionalism**

- the professionalism of intermediaries and their employees ;

This requirement refers to the Exchange's responsibility for insuring that market intermediary firms and their employees are subject to professional requirements. Please provide Articles from the ASE By-Laws and from the Jordan Securities Commission – Rules and Regulation. That will document the fact that market intermediaries and financial services professionals in Jordan are subject to requirements in order to participant in the securities market.

In the application documentation information regarding this requirements will be prefaced by a statement that the JSC establishes professional requirements for market

intermediaries and their employees prior to issuing a license and the ASE will only permit licensed market intermediaries and market professionals access to the Exchange.

### **Examples**

Jordan Securities Commission – Rules and Regulations.

- Directives of Licensing Financial Services Companies and Certified Financial Professionals

#### Chapter 1 (Financial Services Companies)

- |              |              |
|--------------|--------------|
| ♦ Article 3  | ♦ Article 4  |
| ♦ Article 5  | ♦ Article 12 |
| ♦ Article 46 | ♦ Article 47 |
| ♦ Article 49 | ♦ Article 50 |
| ♦ Article 51 | ♦ Article 52 |
| ♦ Article 53 | ♦ Article 54 |
| ♦ Article 55 | ♦ Article 56 |
| ♦ Article 58 | ♦ Article 59 |

### **Examples**

#### Directives for Trading in Securities at

Amman Stock Exchange / Securities Market

Issued by virtue of the provisions of Article 26 (A) of the Securities Law No. 23 of 1997

**(NOTE: Information is based on the old By-Laws  
please be sure that any information provided  
is from the current By-Laws)**

#### **Article 2:**

The following words and expressions shall have the meanings assigned to them hereunder, and the words and expressions that are undefined in these Directives shall have the meanings assigned to them in the Securities Law, unless otherwise indicated by context.

**Broker:** A juristic person licensed by the Commission to perform financial brokerage activities.

**Certified Broker:** A natural person licensed by the Commission to perform financial brokerage activities.

#### **Article 12:**

Entering and executing buying and selling orders through the electronic trading system shall be restricted to certified brokers.

**Article 13:**

A certified broker must pass ASE's prescribed examination.

**Article 15:**

A. It shall be prohibited for any person to be present in the trading floor, save for the competent ASE employees and employees of brokers.

**3.a.3 Market Intermediaries - Minimum Capital Requirements**

- **minimum capital requirements and solvency of intermediaries;**

**Examples**

Documentation for this WFE requirement is contained in the Jordan Securities Commission – Rules and Regulations, especially in the Section on Directives of Licensing Financial Services Companies and Certified Financial Professionals, Chapter 1 (Financial Services Companies).

- |              |              |
|--------------|--------------|
| ♦ Article 4  | ♦ Article 5  |
| ♦ Article 7  | ♦ Article 8  |
| ♦ Article 12 | ♦ Article 27 |
| ♦ Article 28 |              |

Please provide Articles from the ASE By-Laws and from the Jordan Securities Commission – Rules and Regulation. That will document the capital requirements for securities firms.

**3.a.4 Compliance Instruments & Intermediary Creditworthiness**

- **compliance instruments that safeguard the standing and credit worthiness of intermediaries**

This WFE requirement is covered by the ASE By-Laws and Directives on the ASE Financial Brokers' Guarantee Fund.

**Examples**

Directives for Amman Stock Exchange  
Financial Brokers' Guarantee Fund  
Issued by virtue of the provisions of Article 26/B of  
the Securities Law No. 23 of the year 1997

**(NOTE: Information is based on the old By-Laws  
please be sure that any information provided  
is from the current By-Laws)**



Please provide the entire Directive on the ASE's Financial Brokers' Guarantee Fund, Article 1 through Article 17, inclusively.

### 3.a.5 Disciplinary Procedures & Enforcement

- **enforcement and disciplinary procedures, including the sanctions be applied;**

The newly approved ASE By-Laws include provisions for the Exchange to assess fines and collect fines. Please cite the appropriate Article(s) related to the ASE's ability to assess and enforce penalties.

#### **Examples**

Internal By-Laws  
of the  
Amman Stock Exchange Securities Market  
Issued by virtue of Articles (25) and (73) of the Securities Law No [23] of the year 1997  
**(NOTE: Information is based on the old By-Laws  
please be sure that any information provided  
is from the current By-Laws)**

#### **Article 4:**

The Stock Exchange shall do the following:

- f Supervise the professional activities of its members and the market transactions, as well as lay out and implement rules relevant to the use of the Stock Exchange utilities, facilities and services.
- j Undertake any thing which it deems appropriate to perform its functions, within the framework of the Securities Law and operative laws and regulations

#### **Article 17:**

The Board of Directors shall have the following functions and competences:

- b. Upon the approval of the Board, setting the needed regulations and directives for managing Stock Exchange affairs, inter alia;
- 5. Standards of professional ethics that must be applied by members of the Stock Exchange and of the Board of Directors, the chief executive officer and the staff, and the penalties imposed in case of non respect thereof.

**Article 24:**

The Stock Exchange's funds shall be constituted of the following

- a Association fees and annual subscriptions collected from its members, as well as commissions, charges, allowances and fines stipulated for in its regulations

Code of Ethics  
of

Amman Stock Exchange Issued by virtue of the provisions of Article 26 (e) of the Securities Law No. 23 of 1997

**(NOTE: Information is based on the old By-Laws  
please be sure that any information provided  
is from the current By-Laws)**

**Article 17:** Subject to professional and disciplinary liability, the members and persons shall abide by these Directives.

**3.a.6 Conflicts of Interest**

- **management of conflicts of interest among and within market users**

The majority of information pertaining to this WFE requirement is contained in the ASE Code of Ethics. However, please review all of the current ASE By-Laws and Directives to identify any Articles that also contain information related to Conflicts of Interest on the part of market participants. There are some Articles in the ASE By-Laws and Directives on Trading that refer to brokers' disclosure to clients.

**Examples**

Code of Ethics  
of

Amman Stock Exchange Issued by virtue of the provisions of Article 26 (e) of the Securities Law No. 23 of 1997

**(NOTE: Information is based on the old By-Laws  
please be sure that any information provided  
is from the current By-Laws)**

**Article 10:**

In the event the member has an interest in the transaction to be conducted for the account of the client, or if it has any relation to the transaction which might lead to a conflict of interests, it shall be prohibited for the member to execute said transaction, unless it brings said interest to the attention of the client, takes the appropriate action to safeguard the client's interest and affords him / her a fair treatment.

**Article 16:**

It shall be prohibited for the members and the persons to receive or to offer any gifts or donations, if such gifts or donations might influence the giver's or receivers obligations.

**Article 13**

A company which intends to acquire (5%) or more of the capital of another company shall submit to the Commission, at least one week prior to the proposed date of acquisition, a written request stating the company's objectives behind the acquisition and any relevant facts that would enable the Commission to determine whether such acquisition is conducive to:

1. A probable conflict of interest.

**Article 14**

A company shall provide in any publication wherein it recommends the purchase, sale or retention of a certain security a detailed and complete statement of any direct or indirect interest in this security by itself, any partner, manager, or insider therein, including the following:

- a. Any ownership by any of the aforementioned related to this security or any securities issued by the same issuer.

## **4. Listing of and Disclosure on Traded Financial Products**

### **4. a Exchange Requirements**

***Exchanges should require:***

*that listed companies be of an adequate size and have sufficient shares in hands of the public to safeguard an orderly and fair market;*

*timely, and the widest possible disclosure of business and financial information materially affecting listed companies;*

*regular disclosure of financial information by listed companies; and,*

*disclosure to investors of the nature, risk and investment potential inherent in the traded financial products.*

Compliance information related to this WFE Requirement is contained in: (i) The ASE Directives on Listing Securities and (ii) the Jordan Securities Commission Law and Regulation.

**A REQUEST FOR COMPLIANCE INFORMATION RELATED TO PART (ii) OF THIS QUESTION HAVE BEEN PLACED IN THE QUESTIONNAIRE FOR THE JORDAN SECURITIES COMMISSION.**

It is requested that the ASE Legal Department address those requirements that are contained in the ASE By-Laws and Directives.

**4.a.1 Listed Companies – Public Float**

- that listed companies be of an adequate size and have sufficient shares in hands of the public to safeguard an orderly and fair market

A brief review of the ASE By-Laws did not indicate any By-Laws or Directives that directly addressed this issue. The main concern of the WFE is that when a company is listed on a public market there are enough shares available to be traded and that a company is truly a public company and not a privately held entity. In many markets the Market Regulators and the Exchange have specific percentages of a company's share issuance that must not be held by company founders/promoters and must be in the hands of the public.

Please review the ASE By-Laws and Directives to determine any Articles that are related to this requirement. Additionally, please review the Companies Law to determine if there are any requirements related to a shareholding company's issuance of shares and what percentage of shares may be held by "private" shareholders and what percentage of shares must be available to the general investing public.

**4.a.2 Listed Companies – Business & Financial Disclosure**

- timely, and the widest possible disclosure of business and financial information materially affecting listed companies

In most markets companies wishing to list on an Exchange must file business and financial information with the Exchange in order to list and must continue to provide the Exchange with business and financial information on an ongoing basis.

In order for investors in the capital markets to make informed decisions regarding the management of their security assets, most Exchanges and Market Regulators require listed and traded companies to inform the Exchange and/or the Market Regulator of any material events or information that could effect the valuation of the company either positively or negatively.

This WFE requirement is important in establishing an Exchange's level of transparency and commitment to a fair and orderly marketplace.

Compliance information related to this WFE Requirement is contained in: (i) The ASE Directives on Listing Securities and (ii) the Jordan Securities Commission Law and Regulation

**A REQUEST FOR COMPLIANCE INFORMATION RELATED TO PART (ii) OF THIS QUESTION HAS BEEN PLACED IN THE QUESTIONNAIRE FOR THE JORDAN SECURITIES COMMISSION.**

**Examples**

Internal By-Laws  
of the  
Amman Stock Exchange Securities Market  
Issued by virtue of Articles (25) and (73) of the Securities Law No [23] of the year 1997

**(NOTE: Information is based on the old By-Laws  
please be sure that any information provided  
is from the current By-Laws)**

**Article 17:**

The Board of Directors shall have the following functions and competences:

- a. Managing and developing the Stock Exchange, including inter alia:
3. Supervising the provision and dissemination of sufficient and timely information and data on trading in securities, and verifying its validity, accuracy and clarity.

Directives on Disclosure Related  
to  
Amman Stock Exchange Issued by virtue of the provisions of Article 26 (c &d) of the  
Securities Law No. 23 of 1997

**(NOTE: Information is based on the old By-Laws  
please be sure that any information provided  
is from the current By-Laws)**

**Article 3:**

A. The Stock Exchange must disclose the following information:

- 1) Names of issuers of securities listed on the Stock Exchange.
- 2) Names of issuers of securities suspended from trading.
- 3) Names and addresses of the Stock Exchange members.
- 4) Names of the Stock Exchange members barred from practicing.
- 5) Names of the certified financial professionals licensed to trade on the Stock Exchange.
- 6) Daily, weekly, monthly and annual data, which cover each company's trading, as well as the sector movements, in terms of number of traded shares, volume of trading, number of contracts, prices, indices and key financial indicators.

- 7) Information and data coming to the Stock Exchange, which have an influence on the prices of securities, and the trading flow.

B. The public may have access to and may make copies of, against consideration, the information and data mentioned in sub-paragraph A of this Article.

C. Disclosure shall be through Stock Exchange bulletins, and information shall be circulated to the Stock Exchange members and shall be announced via those methods deemed appropriate by the Stock Exchange.

**A REQUEST FOR COMPLIANCE INFORMATION RELATED TO THIS REQUIREMENT HAS BEEN PLACED IN THE QUESTIONNAIRE FOR THE JORDAN SECURITIES COMMISSION**

#### **4.a.3 Listed Companies – Ongoing Disclosure**

- regular disclosure of financial information by listed companies;

If there are any By-Laws, Directives or Articles requiring the continuing reporting of business and financial data to the Exchange by a listed company, please cite the appropriate By-Law, Directive or Directive.

#### **4.a.4 Listed Companies – Risk Disclosure**

- disclosure to investors of the nature, risk and investment potential inherent in the traded financial products

**A REQUEST FOR COMPLIANCE INFORMATION RELATED TO THIS REQUIREMENT HAS BEEN PLACED IN THE QUESTIONNAIRE FOR THE JORDAN SECURITIES COMMISSION**

### **4. b Exchange Goals**

*Exchanges should work towards:*

- *regulatory co-ordination among markets where financial products are jointly listed, in order that there be a synchronized disclosure of information, and*
- *the support of cross-border listing and trading.*

#### **4.b.1 Exchanges should require:**

- regulatory co-ordination among markets where financial products are jointly listed, in order that there be a synchronized disclosure of information

Although compliance with this WFE requirement lies mainly with the Jordan Securities Commission, there are several references to cross-market issues in the ASE's By-Laws, Directives and Articles.

### Examples

Internal By-Laws  
of the  
Amman Stock Exchange Securities Market  
Issued by virtue of Articles (25) and (73) of the Securities Law No [23] of the year 1997  
**(NOTE: Information is based on the old By-Laws  
please be sure that any information provided  
is from the current By-Laws)**

#### Article 4:

The Stock Exchange shall do the following:

g Open up channels of communication and establish cooperative relations with international stock exchanges, associations and organizations in the field of securities, and enter into agreements with them with a view to adherence therein. Participate in conferences and seminars, which would benefit the members and employees of the Stock Exchange.

Directives on Disclosure Related  
to  
Amman Stock Exchange Issued by virtue of the provisions of Article 26 (c &d) of the Securities Law No. 23 of 1997  
**(NOTE: Information is based on the old By-Laws  
please be sure that any information provi  
is from the current By-Laws)**

#### Article 7:

The Stock Exchange may give other stock exchanges and related institutions in the securities market information and data requested by them; it may also cooperate with them to disseminate said information and data.

**NOTE:** Please include in this section any requirements or agreements the ASE may have to disclose information to:

- The Central Bank
- The Ministry of Finance

- Governmental Taxation Authorities
- Any other Governmental Agencies

Also, please include the legal requirements where the ASE would disclose information under a Court Order.

**A REQUEST FOR COMPLIANCE INFORMATION RELATED TO THIS REQUIREMENT HAS BEEN PLACED IN THE QUESTIONNAIRE FOR THE JORDAN SECURITIES COMMISSION.**

#### 4. c Exchange Goals

*The listing procedures, time schedule for the processing of the dossier, costs or the company, minimum size of capitalisation, and other requirements should be compiled in one rulebook, which is publicly available. In case listing responsibilities are shared with the supervisory agency, it should be clear where the ultimate decision in the listing process lies. Foreign issuing companies should be subject to the same rules as the domestic ones.*

The procedures for listing on the Exchange are contained in the By-Laws and Directives of the Exchange, which are available to the general public in Arabic and in English in print form and on the ASE's website, [www.ammanstockex.com](http://www.ammanstockex.com). Please confirm or modify this statement, as appropriate.

#### Examples

##### Directives for Listing Securities on

##### Amman Stock Exchange/ Securities Market

Issued by virtue of the provisions of Article 26 (a) of the Securities Law no. 23 of 1997

**(NOTE: Information is based on the old By-Laws  
please be sure that any information provided  
is from the current By-Laws)**

#### Article 3:

Companies that apply for a listing of their shares on the Second Market must fulfill the following conditions:

- The Net Shareholders' Equity must not be less than 50% of the paid-in capital.
- A full year must have elapsed since the Company was granted the right to start its business.



The listing requirements are continued in Article 4 through Article 26, inclusively.

However, a brief review of the English version of the ASE By-Laws and Directives did not identify any Articles providing specific requirements for:

1. Time required to process a company's Listing Application from the time the Listing Application is submitted until the time Listing on the ASE occurs.
2. Minimum Capitalization Levels required
3. Any different and/or extra requirements for the Listing of a foreign company

Please respond to the following:

- A How long does it usually take to complete a company's listing request from the time of submission of the request until actual listing?
- B Are there ASE determined level(s) of Capitalization required for Listing?
- C Are there any other different requirements for the listing of a foreign company?

Additionally, does the ASE accept a company, properly registered with the JSC, as eligible for listing and simply adds its own requirements. It is important that the dividing line in the Listing Approval process be made very clear.

If the situation exists where the JSC establishes, reviews and approves company applications to issue securities and the ASE accepts the JSC's approval, with the addition of some additional ASE Listing Requirements, prior to actually listing a company on the Exchange, please so state in a brief paragraph or two.

## 5. Trading

### 5.a Trading – Exchange Accountability

*The accountability of the Exchange to market users should be described, especially in any agreements that seek to modify the distribution of responsibilities among actors.*

This WFE requirement involves the roles and responsibility of the Exchanges in regards to participants in the Exchange. The Exchange's roles and responsibilities should be clearly stated in the Exchange's By-Laws and Directives.

#### 5.a.1 Exchange Accountability

All of the responsibilities of the ASE to its members, both issuers and trading participants should be documented. Please provide those Articles in the Exchange's By-Laws that establish a responsibility that the Exchange has to its members.

**Examples**

Internal By-Laws  
of the  
Amman Stock Exchange Securities Market  
Issued by virtue of Articles (25) and (73) of the Securities Law No [23] of the year 1997

**(NOTE: Information is based on the old By-Laws  
please be sure that any information provided  
is from the current By-Laws)**

**Article 4:**

The Stock Exchange shall do the following:

- a. Set the necessary environment to ensure an interplay of supply and demand on listed securities, by strengthening the necessary basis for sound, transparent and fair trading, to determine the prices of and trading in securities.
- b. Provide means of connection and communication and equipped trading halls with the necessary technical tools and devices to record and trade in securities, and to perform its other activities.
- c. Monitor market trading, and coordinate with the Commission the follow up of such transactions, in order to secure investor protection and non manipulation of trading in securities.
- d. Lay out the profession's code of ethics and instill fair and impartial principles of work in its members.
- e. Prepare reports and disseminate information on the Stock Exchange's activities.
- f. Supervise the professional activities of its members and the market transactions, as well as lay out and implement rules relevant to the use of the Stock Exchange utilities, facilities and services.

**Article 5:**

- c. Once sufficient and adequate precautions against any falsification of information and ensuring its validity are taken, registration of entries in, and keeping of the Stock Exchange records shall be either manual or electronically by computer. Unless otherwise proven, such entries together with any documents issued thereby shall be considered as legal evidence on trading in the securities designated therein, on the dates indicated on the records, accounts or documents.

**Article 13:**

- a. The Chairman of the Board of Directors shall be the official representative of the Stock Exchange before all parties, and shall be entitled to delegate any of his! her authorities to the Vice-Chairman or a Board member.

**Article 17:**

The Board of Directors shall have the following functions and competences:

- a. Managing and developing the Stock Exchange, including inter alia:
  - 1. Taking the necessary procedures to follow up on the implementation of the provisions of the Law as well as the regulations, directives and decisions issued thereby.
  - 2. Monitoring Stock Exchange operations to safeguard the interests of operating investors, and to ensure that dealing is carried on sound and fair basis.
  - 3. Supervising the provision and dissemination of sufficient and timely information and data on trading in securities, and verifying its validity, accuracy and clarity.
  - 4. Setting the days and hours of trading in the Stock Exchange, according to convenient circumstances.
  - 5. Determining the commissions charged by the Stock Exchange, with the Board's approval.
  - 6. Adopting and supervising the implementation of the estimated budget once it is approved.
  - 7. Preparing the balance sheet and final accounts, and submitting them to the General Assembly.
  - 8. Laying out the rules that regulate soliciting the services of experts needed for the good performance of the Stock Exchange.
  - 9. Organizing training courses for Stock Exchange staff or those wishing to work at the Stock Exchange.
  - 10.Appointing one or more lawyers for the Stock Exchange.
  - 11.Borrowing for the purposes of securing the required money to manage the Stock Exchange.
  - 12.Resolving disputes among Stock Exchange members as well as between members and their customers in accordance with instructions issued for this end.
  - 13.Accepting licensed financial brokers, setting their numbers and association and subscription fees with the approval of the Securities' Commission.
  - 14.Concluding insurance contracts for professional liability for the members of the Board of Directors and the Stock Exchange employees, in accordance with operative laws and regulations.
- b. Upon the approval of the Board, setting the needed regulations and directives for managing Stock Exchange affairs, inter alia;
  - 1. Listing and trading in securities.
  - 2. Financial brokers' Guarantee Fund.
  - 3. Information, data and records deemed confidential and the persons authorized to have access to them due to the nature of their work.

4. Information, data and records which the Stock Exchange must disclose, and those that the public may have access to and make copies of.
5. Standards of professional ethics that must be applied by members of the Stock Exchange and of the Board of Directors, the chief executive officer and the staff, and the penalties imposed in case of non respect thereof.
6. Settling disputes among Stock Exchange members as well as between members and their clients.
7. Setting transport allowances and travel expenses of the Chairman and the members of the Board of Directors, the Executive Manager and the staff of the Stock Exchange.
8. Setting the annual remuneration of the Chairman and members of the Board of Directors.
9. Laying out the Stock Exchange's hierarchical framework, as well as its Staff Regulations, Financial and Administrative Regulations.
10. Setting up a mechanism to investigate any complaints regarding transactions on the Stock Exchange.

There are many sections of the ASE's By-Laws and Directives that state the Exchange's responsibilities to its members and participants. Please review the ASE's By-Laws and Directives and extract any Article or sub-section of an Article that states the ASE's accountability to its members, both issuers and trading participants.

In cases where there is any doubt as to whether an Article or a sub-section of the ASE's By-Laws and Directives should be included in this section, please include the information anyway. Information included on this basis can always be deleted, if required, at a later date.

**NOTE: It is important to include samples of any agreements and/or contracts the ASE executes with its Issuers and market participants. These agreements will be referred to in the body of the ASE Application but will be added, in full, to the ASE Application as Appendices. Please include sample agreements in your response to this question.**

## **5.b Trading – Audit Trails & Market Data Dissemination**

*Transaction audit trails should be available to investors and regulators; only the information to regulators will include non-public information. Pre- and post-trade information should be provided on a timely basis.*

Market transaction controls and the availability of timely and transparent trading information are very important to the WFE.

**COMPLIANCE QUESTIONS RELATED TO POST-TRADE TRANSACTION AUDIT TRAILS HAVE BEEN INCLUDED IN THE SDC QUESTIONNAIRE.**

**COMPLIANCE QUESTIONS RELATED TO THE OPERATIONAL AND TECHNICAL ASPECTS OF ASE TRADING TRANSACTIONS' AUDIT TRAILS AND DATA DISSIMINATION HAVE BEEN INCLUDED IN THE ASE OPERATIONS QUESTIONNAIRE AND THE ASE INFORMATION TECHNOLOGY (IT) QUESTIONNAIRES, RESPECTIVELY.**

**THIS SECTION INCLUDES QUESTIONS RELATED TO THE ASE'S COMPLIANCE WITH EXCHANGE RELATED TRANSACTION AUDIT TRAILS AND THE DISSEMINATION OF TRADING INFORMATION, AS SPECIFICALLY STATED IN THE ASE'S BY-LAWS AND DIRECTIVES.**

The WFE requires Exchanges to maintain reliable records related to transactions conducted on the Exchange so as to provide a means of identify transactions as they flow through the Exchange's operational and technical processes. It is extremely important that Exchange transactions, once entered on the Exchange, do not get "lost" or simply "disappear" somewhere in the Exchange's processing environment.

Please cite the ASE By-Laws and Directives that require the maintenance of complete and accurate records on the part of the ASE and its participants, both Issuers and trading participants.

### **Examples**

Internal By-Laws  
of the  
Amman Stock Exchange Securities Market  
Issued by virtue of Articles (25) and (73) of the Securities Law No [23] of the year 1997

**(NOTE: Information is based on the old By-Laws  
please be sure that any information provided  
is from the current By-Laws)**

#### **Article 17:**

The Board of Directors shall have the following functions and competences:

- a. Managing and developing the Stock Exchange, including inter alia:
  - 3 Supervising the provision and dissemination of sufficient and timely information and data on trading in securities, and verifying its validity, accuracy and clarity.
- c. Upon the approval of the Board, setting the needed regulations and directives for managing Stock Exchange affairs, inter alia;
  3. Information, data and records deemed confidential and the persons authorized to have access to them due to the nature of their work.

4. Information, data and records which the Stock Exchange must disclose, and those that the public may have access to and make copies of.

In the section of the ASE By-Laws and Directives titled Directives on Disclosure Related to Amman Stock Exchange please provide all Articles in this section that are related to the ASE's disclosure of information.

Directives for Trading in Securities  
at

Amman Stock Exchange / Securities Market

Issued by virtue of the provisions of Article 26 (A) of the Securities Law No. 23 of 1997

(NOTE: Information is based on the old By-Laws  
please be sure that any information provided is  
from the current By-Laws)

**Article 5:**

A. While disposing of securities on behalf of its clients, a broker must obtain a written authorization signed from them or a telephone authorization, empowering it to so act; said authorizations shall be binding to the client.

B. A broker must at any time prove that it has an authorization that clearly shows the name of its client, the name of issuer, the type of transaction (selling or buying), the number of securities, the price, the date and the time of authorization and the validity of the order.

**Article 10:**

A. A broker must keep an official log of authorizations. Said log shall be sealed by the Stock Exchange, and shall contain all authorizations for its clients or for its portfolio, which must bear sequential numbers. The broker shall bear the responsibility for that.

B. The log mentioned in sub-paragraph (A) above shall be subject to ASE control.

**Article 11:**

A. A broker must keep written authorizations, telephone authorizations confirmed in writing, and the log of authorizations, for a period fixed by the ASE Management.

B. Telephone conversations taped by the broker shall be acknowledged in the event a dispute arises between a broker and its client.

**Article 33:**

All orders entered by a broker in the trading system shall appear on the broker's Order Book, as well as on the Market by Order Book, according to price preference and priority of entry. They shall be given serial numbers by the system.

**Article 91:**

Telephone conversations made during the trading session between brokers and officers in charge of monitoring trading shall be taped and kept for the time prescribed by the Board of Directors. These tapings shall be acknowledged for the purposes of implementing the Law and the regulations and directives issued in pursuance thereof.

The examples cited, above, constitute only a portion of those ASE By-Laws and Directives relating to the maintenance of Audit Trails and Market Data Dissemination. Please insure that all information from the ASE By-Laws and Directives related to this question are included, especially information to Market Data Dissemination.

**5.c Trading – Market Transparency**

*The transparency of the market is a crucial element of fairness and must be assured at all times. Although markets may offer different degrees of transparency depending upon the balance struck between transparency and liquidity, nevertheless, whatever the structure transactions must be reported immediately to the exchange, with details as to price and volume.*

*Exchanges should undertake:*

- *to promote well balanced transparency by publicly disclosing transaction data;*
- *to establish and maintain trading rules to protect investors, such as "best execution" rules, regulatory trading halts, etc.*
- *to create transparency with respect to the capacity in which the intermediaries operate.*

In order to insure fairness and transparency in the marketplace, the WFE requires Exchanges to demonstrate that the processing, queuing and display of price information entered on the Exchange is organized in a fair, logical and consistent manner and that all such prices are available to all of the Exchange's participants at the same time.

The WFE is particularly concerned that individual or groups of individuals have an advantage in accessing Exchange prices especially in markets that provide remote electronic access to the trading floor.

**THIS QUESTION IS INCLUDED IN THE QUESTIONNAIRES FOR THE ASE IT DEPARTMENT AND THE ASE OPERATIONS DEPARTMENT.**

### 5.c.1 Trading – Market Transparency: Public Disclosure of Transaction Data

*Exchanges should undertake:*

- *to promote well balanced transparency by publicly disclosing transaction data;*

In order to document this WFE requirement it is necessary to provide specific information from the ASE By-Laws and Directives that support the public disclosure of transaction data generated from trades executed on the Exchange.

#### **Examples**

Internal By-Laws  
of the  
Amman Stock Exchange Securities Market  
Issued by virtue of Articles (25) and (73) of the Securities Law No [23] of the year 1997

**(NOTE: Information is based on the old By-Laws  
please be sure that any information provided is  
from the current By-Laws)**

#### **Article 4:**

The Stock Exchange shall do the following:

- a Set the necessary environment to ensure an interplay of supply and demand on listed securities, by strengthening the necessary basis for sound, transparent and fair trading, to determine the prices of and trading in securities.

#### **Article 17:**

The Board of Directors shall have the following functions and competencies:

- a. Managing and developing the Stock Exchange, including inter alia:
  3. Supervising the provision and dissemination of sufficient and timely information and data on trading in securities, and verifying its validity, accuracy and clarity.
- b. Upon the approval of the Board, setting the needed regulations and directives for managing Stock Exchange affairs, inter alia;
  4. Information, data and records which the Stock Exchange must disclose, and those that the public may have access to and make copies of.



Directives on Disclosure Related  
to  
Amman Stock Exchange Issued by virtue of the provisions of Article 26 (c & d) of the  
Securities Law No. 23 of 1997

**(NOTE: Information is based on the old By-Laws  
please be sure that any information provided is  
from the current By-Laws)**

**Article 3:**

A. The Stock Exchange must disclose the following information:

- 6) Daily, weekly, monthly and annual data, which cover each company's trading, as well as the sector movements, in terms of number of traded shares, volume of trading, number of contracts, prices, indices and key financial indicators.
- 7) Information and data coming to the Stock Exchange, which have an influence on the prices of securities, and the trading flow.

B. The public may have access to and may make copies of, against consideration, the information and data mentioned in sub-paragraph A of this Article.

**QUESTIONS RELATED TO THE TECHNICAL ASPECTS OF MARKET DATA DISSEMINATION ARE INCLUDED IN THE ASE IT DEPARTMENT'S QUESTIONNAIRE.**

**5.c.2 Trading – Investor Protection: Trading Rules**

*Exchanges should undertake:*

- *to establish and maintain trading rules to protect investors, such as "best execution" rules, regulatory trading halts, etc.*

Investor protection is a core component of WFE requirements. In this section it is necessary to provide documentation from the ASE's By-Laws and Directives supporting the fact that the ASE does have rules and regulations that provide market investors with protection, especially in the conduct of transactions between Exchange members and their investor clients. Please provide all references in the ASE's By-Laws and Directives that document ASE requirements for its members when members are dealing with their clients.

**NOTE:** In responding to this question all of the requirements in the ASE's By-Laws and Directives related to a member's execution of trades must be included, especially those Articles contained in *Directives for Trading in Securities at Amman Stock Exchange / Securities Market Issued by virtue of the provisions of Article 26 (A) of the Securities Law No. 23 of 1997* **(Information in these Directives is based on the old By-Laws please be sure that any information provided is from the current By-Laws)**

**Examples**

Code of Ethics  
of  
Amman Stock Exchange Issued by virtue of the provisions of Article 26 (e) of  
the Securities Law No. 23 of 1997

**(NOTE: Information is based on the old By-Laws  
please be sure that any information provided is  
from the current By-Laws)**

**Article 7:** The member shall include in the agreements it makes with its clients any information or conditions required by the operative regulations and directives, the following being the minimum:

- A. The names and addresses of the member and the client.
- B. A statement of the services to be rendered by the member.
- C. A statement of the commissions to be received by the member in return for its services, or a reference to a separate document which indicates such information, on the condition that said commissions are within the authorized parameters.

**Article 8:** Under no agreement shall the member restrict, nor be released of, the responsibilities imposed on it by virtue of the laws, regulations and directives.

**Article 9:** When executing a sale or a buy for the account of a client, the member shall, immediately or as mutually agreed upon, inform the client of the details thereof.

**Article 10:** In the event the member has an interest in the transaction to be conducted for the account of the client, or if it has any relation to the transaction which might lead to a conflict of interests, it shall be prohibited for the member to execute said transaction, unless it brings said interest to the attention of the client, takes the appropriate action to safeguard the client's interest and affords him / her a fair treatment.

**Article 11:** The management of the member shall be fully responsible for the breaches of the regulations and directives committed by its staff.

**Article 12:**

- A. The persons shall keep the information and activities related to the Stock Exchange confidential; it shall be prohibited for them to divulge said information or activities in any manner or form, irrelevant of their importance, or to use said information and activities for their own or for any third party's benefit.
- B. It shall be prohibited for the persons to transmit any confidential information to any person, or to transmit such information from the member's representative at the Board of Directors to his / her company.
- C. The persons shall keep the confidential documents in a safe place when not used, so as to ensure that no one has access to them.

**Article 17:** Subject to professional and disciplinary liability, the members and persons shall abide by these Directives.

### 5.d Trading – Cross-Border Trading: Foreign Participants

*The market should allow for cross-border trading. Duplicative regulation of the accessed market by the authorities in the jurisdiction in which it is located ("home country regulator") and those in the jurisdiction in which the accessing party is located ("host country regulator") should be avoided.*

*Foreign players should have identical rights - and obligations - as local players, provided their business attitude and financial soundness are comparable to those required in the market of the access provider.*

**THIS QUESTION IS INCLUDED IN THE QUESTIONNAIRES FOR THE JSC LEGAL DEPARTMENT.**

The majority of documentation for this question is contained in the Securities Law and the Rules and regulations of the JSC. However, it is important to not any information contained in the ASE's By-Laws and Directives that relate to the Exchange's treatment of Foreign Participants and any reference's to Cross-Border transactions or transactions with securities markets outside of Jordan.

#### **Examples**

Internal By-Laws  
of the  
Amman Stock Exchange Securities Market  
Issued by virtue of Articles (25) and (73) of the Securities Law No [23] of the year 1997  
**(NOTE: Information is based on the old By-Laws  
please be sure that any information provided is  
from the current By-Laws)**

#### **Article 4:**

The Stock Exchange shall do the following:

- g. Open up channels of communication and establish cooperative relations with international stock exchanges, associations and organizations in the field of securities, and enter into agreements with them with a view to adherence therein. Participate in conferences and seminars, which would benefit the members and employees of the Stock Exchange.
- h. Open up channels of communication and establish cooperative relations with international stock exchanges, associations and organizations in the field of securities, and enter into agreements with them with a view to adherence therein.

Participate in conferences and seminars, which would benefit the members and employees of the Stock Exchange.

Give its opinion on legislation and amendments of legislation relevant to the work of the Stock Exchange, as well as propose amendments to said legislation and procedures which safeguard and develop the market.

Please review the new By-Laws and Directives of the ASE to insure that any information relevant to ASE Participation by Foreign Companies is identified and included.

### 5.e Trading – Cross-Border Trading: Market Regulation

*The basic principle should be that national supervisory agencies must respect each other's efforts to assure that a securities market complies with generally accepted investor protection standards, such as disclosure, transparency and efficiency. This mutual recognition of each other's regulatory status and professional competence requires a good understanding of the mechanics and underlying approaches taken in that country.*

**THIS QUESTION IS INCLUDED IN THE QUESTIONNAIRES FOR THE JSC LEGAL DEPARTMENT.**

Although this question is primarily for the JSC, it is important that the ASE provide documentation from the ASE By-Laws and Directives illustrating the fact that the ASE does not have any special requirements for Foreign Participants wishing to do business at the ASE.

## 6. Clearing and Settlement

*The clearing and settlement facilities provided by the Exchange, its subsidiaries or others must provide for the efficient, safe and prompt settlement of transactions within the internationally accepted standards of the G-30 and ISSA, or be better.*

*The Exchange will :*

- *make adequate arrangements for safe and timely clearing, and correct and final settlement of the transactions concluded on the market ;*
- *see to it that cross-border clearing and settlement activities are facilitated;*
- *be instrumental in the development of national central securities depositories, immobilisation, dematerialisation of securities, lending and borrowing contracts and arrangements;*
- *contribute to the standardisation and implementation of securities industry processes;*
- *assure that ownership of securities should be explicitly embedded in national law. A well-defined system of laws relating to property, contracts, securities, trusts, bankruptcy and taxation should exist.*

**THIS QUESTION IS INCLUDED IN THE QUESTIONNAIRES FOR THE SDC LEGAL DEPARTMENT, OPERATIONS DEPARTMENT AND IT DEPARTMENT.**

Although this question is primarily for the SDC, it is important that the ASE provide documentation from the ASE By-Laws and Directives that is related to the settlement of trades executed on the ASE. If no such documentation exists, please so state.

## 7. Technical Infrastructure

*The market IT systems should maintain adequate capacity to meet the needs of market users. Back-up systems and contingency procedures to be followed in the event of an operational failure are to be maintained on a current, ready basis. Before implementation and on a periodic basis thereafter, the market and system interfaces should be subject to an objective risk assessment to identify vulnerabilities, which may exist in the system design, development, or implementation. These would include the risk of unauthorised access, internal failures, human errors, attacks and natural catastrophes.*

**THIS QUESTION IS INCLUDED IN THE QUESTIONNAIRES FOR THE ASE IT DEPARTMENT AND OPERATIONS DEPARTMENT.**

The majority of information related to this WFE requirement will be obtained from the ASE's IT Department. In addition to providing purely technical information is also necessary to document the establishment of an Electronic Trading System in the ASE's By-Laws and Directives as part of the ASE's technical infrastructure.

### Examples

Code of Ethics  
of  
Amman Stock Exchange Issued by virtue of the provisions of Article 26 (e) of  
the Securities Law No. 23 of 1997

**(NOTE: Information is based on the old By-Laws  
please be sure that any information provided is  
from the current By-Laws)**

#### Article 5:

The member shall abide by the sound settlement of transactions executed by it in accordance with the operative regulations and directives.

**Article 6:**

A. Each member shall organize its work in a responsible manner, and shall provide sufficient human, technical and financial resources to conduct its business, in accordance with the operative regulations and directives, including these Directives. In particular, the member shall consider the following:

- 1) Setting up suitable bases, lists regulations and procedures for the execution and settlement of transactions, as well as for keeping records and reports.

**Article 13:**

The persons shall take the necessary procedures and precautions to ensure the safety of the electronic systems of the Stock Exchange, and to protect them from destruction, alterations or use by unauthorized persons. In particular, the persons shall be obliged to do the following:

- A. To protect their data which enables them to enter into the systems.
- B. Not to allow unauthorized persons to use the systems.
- C. Not to use any Stock Exchange software or hardware before the specialist ensures their safety.
- D. As soon as it comes to their knowledge, to inform the concerned employee in the Information Technology Department of an violation of software or related material copyrights in the Stock Exchange, as well as o any misuse of the Stock Exchange's systems o of any possibility of having a software that might affect the data stored on the hardware.

**Article 17:**

Subject to professional and disciplinary liability, the members and persons shall abide by these Directives.

Directives for Trading in Securities  
at

Amman Stock Exchange / Securities Market

Issued by virtue of the provisions of Article 26 (A) of the Securities Law No. 23 of 1997

**(NOTE: Information is based on the old By-Laws  
please be sure that any information provided is  
from the current By-Laws)**

**Definitions****Article 2:**

The following words and expressions shall have the meanings assigned to them hereunder, and the words and expressions that are undefined in these Directives shall have the meanings assigned to them in the Securities Law, unless otherwise indicated by context.

The Trading System: The electronic trading system.

**Article 12:**

Entering and executing buying and selling orders through the electronic trading system shall be restricted to certified brokers.

**Article 13:**

A certified broker must pass ASE's prescribed examination.

**Article 19:**

An electronic trading system shall be adopted for the purposes of dealing in securities.

**Article 20:**

For the purposes of trading in securities on ASE, the trading system shall be operated on a daily basis, with the exception of official holidays and feasts and the last working day of the calendar year.

Please include all other references to the ASE's Electronic Trading System in response to this question.

## 8. Risk Management

*Regulators and the Exchange should consider any risk exposures pertinent to the system, including those arising from interaction with related financial systems, domestic or abroad. This would include the foreign exchange markets, derivative markets, the banking market and payment systems.*

*To assure the financial integrity of the market and the ability of its participants to fulfil their obligations as users, the Exchange should have in place risk management tools, such as position limits, margin requirements, minimum capital requirements, mark-to-market systems, etc.*

**THIS QUESTION IS INCLUDED IN THE QUESTIONNAIRES FOR THE ASE IT DEPARTMENT AND OPERATIONS DEPARTMENT.**

**HOWEVER, THE SECOND PART OF THIS QUESTIONS IS DIRECTED TOWARDS THE ASE LEGAL DEPARTMENT.**

In providing information related to this WFE requirement please include all information contained in the ASE By-Laws and Directives specifically related to:

- Member Position Limits
- Margin Requirements
- Minimum Capital Requirements
- Mark-to-Market Systems

**8.a Risk Management – Position Limits**

Please include all information contained in the ASE By-Laws and Directives specifically related members' Position Limits. Position Limits may be defined as limits placed on the net monetary obligations a member may incur during a trading session. In most markets a member's Position Limit is established in relation to the member's Capitalization.

If requirements governing ASE member's Position Limits are not contained in the ASE By-Laws and Directives but are contained in the JSC's Rules and Regulations and/or the Securities Law please so state.

Additionally, please provide any documentation in the ASE By-Laws and Directives that refer to the requirement of an ASE member to abide by Position Limits as specified in the JSC's Rules and regulations and/or the Securities Law.

**8.b Risk Management – Margin Requirements**

Please include all information contained in the ASE By-Laws and Directives specifically related members' Margin Requirements.

If requirements governing ASE member's Margin Requirements are not contained in the ASE By-Laws and Directives but are contained in the JSC's Rules and Regulations and/or the Securities Law please so state.

Additionally, please provide any documentation in the ASE By-Laws and Directives that refer to the requirement of an ASE member to abide by Margin Requirements as specified in the JSC's Rules and regulations and/or the Securities Law.

**8.c Risk Management – Minimum Capital Requirements**

Please include all information contained in the ASE By-Laws and Directives specifically related members' Minimum Capital Requirements.

If requirements governing ASE member's Minimum Capital Requirements are not contained in the ASE By-Laws and Directives but are contained in the JSC's Rules and Regulations and/or the Securities Law please so state.

Additionally, please provide any documentation in the ASE By-Laws and Directives that refer to the requirement of an ASE member to abide by Minimum Capital Requirements as specified in the JSC's Rules and regulations and/or the Securities Law.



#### 8.d Risk Management – Mark-to-Market Systems

Please include all information contained in the ASE By-Laws and Directives specifically related to the existence and operation of Mark-to-Market Systems. Mark-to-Market Systems may be defined as a system or systems designed to provide a means of establishing the current market value of assets or collateral held as opposed to the original acquisition value of such assets. Mark-to-Market systems are a major Risk Management tool available in most capital markets for use by lending institutions and the operators/managers of Collective Investment Schemes, i.e. Investment Funds. These systems are also, by international standards, a mandatory prerequisite for the operation of a Securities Borrowing and Lending Program.

If requirements governing the existence and operation of Mark-to-Market Systems are not contained in the ASE By-Laws and Directives but are contained in the JSC's Rules and Regulations and/or the Securities Law please so state.

#### 9. The Settlement of Disputes, Dealing with Complaints of Investors, and Arbitration Facilities

*The Exchange should put facilities in place which offer effective treatment of disputes and complaints from investors regarding the behaviour and business conduct of intermediaries. These should be as simple and expeditious as possible, within the limitations of national law.*

**THIS QUESTION HAS ALSO BEEN INCLUDED IN THE QUESTIONNAIRES FOR THE JSC LEGAL DEPARTMENT AND THE SDC LEGAL DEPARTMENT.**

**HOWEVER, THERE ARE SIGNIFICANT PORTIONS OF THIS QUESTIONS THAT ARE DIRECTED TOWARDS THE ASE LEGAL DEPARTMENT.**

Responses to this WFE requirement are very important as they provide assurances to both domestic and foreign investors that effective recourse procedures are in place and enforced in the event an investor encounters financial operational or legal difficulties with a market intermediary.

### Examples

#### Internal By-Laws of the

#### Amman Stock Exchange Securities Market

Issued by virtue of Articles (25) and (73) of the Securities Law No [23] of the year 1997

**(NOTE: Information is based on the old By-Laws  
please be sure that any information provided is  
from the current By-Laws)**

#### Article 17:

The Board of Directors shall have the following functions and competencies:

- a. Managing and developing the Stock Exchange, including inter alia:
  - 12. Resolving disputes among Stock Exchange members as well as between members and their customers in accordance with instructions issued for this end.
- b. Upon the approval of the Board, setting the needed regulations and directives for managing Stock Exchange affairs, inter alia;
  - 6. Settling disputes among Stock Exchange members as well as between members and their clients.
  - 10. Setting up a mechanism to investigate any complaints regarding transactions on the Stock Exchange.

#### Amman Stock Exchange Internal By-Law For Disputes Settlement

Issued by virtue of the provisions of Article 26 (f) of the Securities Law No. 23 of 1997

**(NOTE: Information is based on the old By-Laws  
please be sure that any information provided is  
from the current By-Laws)**

Based on Article 1 through Article 18 of the old By-Laws, please provide all of the Articles in the new By-Laws that are related to Dispute Settlement.

Additionally, please include any Articles from the new By-Laws that deal with penalties and/or fines that may be imposed and collected from ASE members as a result of Dispute Settlement procedures.

## 10. Supervision, Surveillance & Enforcement

*The Exchange must assure that mechanisms are in place to ensure that the information necessary to conduct adequate surveillance of the market for supervisory and enforcement purposes is available on a timely basis.*

*The securities regulatory agency must be established with broad inspection and enforcement authority, and adequate oversight over the players in the market. Its enforcement of applicable regulations must be transparent. In case of a division of regulatory responsibilities between the Exchange and the regulator, the responsibilities and powers of each party should be formalised and cover the entire area to be supervised.*

*Markets, which have a separate banking supervisor, should have a clear separation of responsibilities, in the event that banks may be actors on the securities markets. Regulatory co-ordination between the regulators should be fostered.*

## 10. Supervision, Surveillance & Enforcement (continued)

*The Exchange should report to the regulator when it becomes aware that reasonable grounds exist to suspect that a market user may have violated the jurisdiction's laws, or its internal rules and regulations.*

*Records made or received by the Exchange stemming from the operation of its trading system, relating to financial statements, and data regarding indications of market interest, quotations, orders, and trades in the system itself should all be preserved for a reasonable period of time, in most instances meaning many years. These should be furnished promptly upon request by the relevant regulator.*

**PORTIONS OF THIS QUESTION ARE ALSO CONTAINED IN THE QUESTIONNAIRE FOR THE JSC LEGAL DEPARTMENT.**

This question addresses the most basic WFE requirement, i.e. a market must have effective supervision, surveillance and enforcement in order to operate at a level that is compliant with international standards.

### 10.a Supervision, Surveillance & Enforcement – Surveillance Information

*The Exchange must assure that mechanisms are in place to ensure that the information necessary to conduct adequate surveillance of the market for supervisory and enforcement purposes is available on a timely basis.*

In responding to this question please include all information contained in the ASE's By-Laws and Directives that relate to the Exchange's provision of surveillance information and requirements for ASE members to supply the Exchange with information that will be used for surveillance purposes.

Additionally, please provide any information from the ASE By-Laws and Directives that require the ASE to perform surveillance and/or oversight functions.

### **Examples**

Internal By-Laws  
of the  
Amman Stock Exchange Securities Market  
Issued by virtue of Articles (25) and (73) of the Securities Law No [23] of the year 1997

**(NOTE: Information is based on the old By-Laws  
please be sure that any information provided is  
from the current By-Laws)**

#### **Article 4:**

The Stock Exchange shall do the following:

- a Set the necessary environment to ensure the interplay of supply and demand on listed securities, by strengthening the necessary basis for sound, transparent and fair trading, to determine the prices of and trading in securities.
- c Monitor market trading, and coordinate with the Commission the follow up of such transactions, in order to secure investor protection and non-manipulation of trading in securities.

Directives on Disclosure Related  
to  
Amman Stock Exchange Issued by virtue of the provisions of Article 26 (c &d) of the  
Securities Law No. 23 of 1997

**(NOTE: Information is based on the old By-Laws  
please be sure that any information provided is  
from the current By-Laws)**

#### **Article 3:**

A. The Stock Exchange must disclose the following information:

- 1) Names of issuers of securities listed on the Stock Exchange.
- 2) Names of issuers of securities suspended from trading.
- 3) Names and addresses of the Stock Exchange members.

- 4) Names of the Stock Exchange members barred from practicing.
  - 5) Names of the certified financial professionals licensed to trade on the Stock Exchange.
  - 6) Daily, weekly, monthly and annual data, which cover each company's trading, as well as the sector movements, in terms of number of traded shares, volume of trading, number of contracts, prices, indices and key financial indicators.
  - 7) Information and data coming to the Stock Exchange, which have an influence on the prices of securities, and the trading flow.
- B. The public may have access to and may make copies of, against consideration, the information and data mentioned in sub-paragraph A of this Article.
- C. Disclosure shall be through Stock Exchange bulletins, and information shall be circulated to the Stock Exchange members and shall be announced via those methods deemed appropriate by the Stock Exchange.

#### Directives for Trading in Securities

at

Amman Stock Exchange / Securities Market

Issued by virtue of the provisions of Article 26 (A) of the Securities Law No. 23 of 1997

**(NOTE: Information is based on the old By-Laws  
please be sure that any information provided is  
from the current By-Laws)**

#### **Article 88:**

ASE officers in charge of monitoring trading shall have the right to cancel orders entered on the trading system, related to selling and buying orders of a specific security, if the prices of said orders are meant to mislead or hamper trading on said security.

#### **Article 91:**

Telephone conversations made during the trading session between brokers and officers in charge of monitoring trading shall be taped and kept for the time prescribed by the Board of Directors. These tapings shall be acknowledged for the purposes of implementing the Law and the regulations and directives issued in pursuance thereof.

### **10.b Supervision, Surveillance & Enforcement – Enforcement**

*The securities regulatory agency must be established with broad inspection and enforcement authority, and adequate oversight over the players in the market. Its enforcement of applicable regulations must be transparent. In case of a division of regulatory responsibilities between the Exchange and the regulator, the responsibilities and powers of each party should be formalised and cover the entire area to be supervised.*

*Markets, which have a separate banking supervisor, should have a clear separation of responsibilities, in the event that banks may be actors on the securities markets. Regulatory co-ordination between the regulators should be fostered.*

**INFORMATION FOR THIS WFE REQUIREMENT IS CONTAINED IN THE JSDC QUESTIONNAIRE.**

**10.c Supervision, Surveillance & Enforcement – Supervision**

*The Exchange should report to the regulator when it becomes aware that reasonable grounds exist to suspect that a market user may have violated the jurisdiction's laws, or its internal rules and regulations.*

*Records made or received by the Exchange stemming from the operation of its trading system, relating to financial statements, and data regarding indications of market interest, quotations, orders, and trades in the system itself should all be preserved for a reasonable period of time, in most instances meaning many years. These should be furnished promptly upon request by the relevant regulator.*

Please include in this section:

1. any information contained in the ASE By-Laws and Directives that require the ASE to report potential violations to the JSC, and
2. the ASE's policy on the retention of trading information, and
3. any information related to the ASE's responsibility to provide the JSC with information and on what time-basis such information should be provided.

**11. Investor Protection**

*Specific rules and regulations, like on disclosure and transparency, that serve to protect investors should be in place. These include guarantees such as compensation funds, insurance policies or their equivalent. If the Exchange or a related organisation holds or safeguards funds intended to guarantee the clearing of trades, or to compensate investors in the event of the insolvency of a member of the market, procedures and controls should be implemented to assure the availability of those funds. These funds are on stand-by as a lender of the last resort to the market.*

*A specific regime should be in place for staff of the Exchange and the clearinghouse/depository, to avoid conflicts of interest and insider trading. Comparable rules should be in place for all other users of the market. Insider trading and other forms of unfair markets should be prohibited, either by law or code of conduct, with adequate enforcement tools available.*

*Brokers and banks must assure absolute segregation between clients' money and their own accounts, and respect the priority in which client orders are executed.*

Responses to this WFE requirement should be comprehensive and clearly stated. Investor Protection is one of the most important requirements in the WFE Principles.

Please be sure to be as inclusive as possible. In the event that a question arises as to whether a particular piece of information should or should not be included, include the information. In addressing this WFE requirement more information is better than less.

### 11.a Investor Protection - Guarantees

*Specific rules and regulations, like on disclosure and transparency, that serve to protect investors should be in place. These include guarantees such as compensation funds, insurance policies or their equivalent. If the Exchange or a related organisation holds or safeguards funds intended to guarantee the clearing of trades, or to compensate investors in the event of the insolvency of a member of the market, procedures and controls should be implemented to assure the availability of those funds. These funds are on stand-by as a lender of the last resort to the market.*

#### Examples

Internal By-Laws  
of the  
Amman Stock Exchange Securities Market  
Issued by virtue of Articles (25) and (73) of the Securities Law No [23] of the year 1997  
**(NOTE: Information is based on the old By-Laws  
please be sure that any information provided is  
from the current By-Laws)**

#### Article 17:

The Board of Directors shall have the following functions and competencies:

a Managing and developing the Stock Exchange, including inter alia:

14. Concluding insurance contracts for professional liability for the members of the Board of Directors and the Stock Exchange employees, in accordance with operative laws and regulations.

**Article 26:**

The Stock Exchange shall keep the following:

- a. Its own accounting books and records, in accordance with adopted accounting standards.
- b. The books and records needed for the conduct of its business, in accordance with its regulations and directives

**Article 27:**

- a. The Stock Exchange shall keep a general reserve wherein its net annual surplus of each fiscal year is recorded.

**Article 28:**

The Stock Exchange shall not be liable for any damage or losses affecting any of its members, their customers or employees, as a result of trading in or using any of the facilities or services supplied by the Stock Exchange.

**Article 29:**

These Regulations shall be published in the Official Gazette, announced in the mass media and circulated to the concerned parties.

**QUESTIONS RELATED TO THE SDC'S SETTLEMENT GUARANTEE FUND ARE INCLUDED IN THE QUESTIONNAIRE FOR THE SDC LEGAL DEPARTMENT.**

Please provide all Article 1 through Article 17, inclusively, from Directives for Amman Stock Exchange Financial Brokers' Guarantee Fund Issued by virtue of the provisions of Article 26/B of the Securities Law No. 23 of the year 1997 (**NOTE:** Information is based on the old By-Laws please be sure that any information provided is from the current By-Laws)

**11.b Investor Protection – Conflicts of Interest**

*A specific regime should be in place for staff of the Exchange and the clearinghouse/depository, to avoid conflicts of interest and insider trading. Comparable rules should be in place for all other users of the market. Insider trading and other forms of unfair markets should be prohibited, either by law or code of conduct, with adequate enforcement tools available.*

**QUESTIONS RELATED TO THE CONFLICTS OF INTEREST ARE INCLUDED IN THE QUESTIONNAIRE FOR THE JSC LEGAL DEPARTMENT AND THE SDC LEGAL DEPARTMENT.**



Please provide all information from the ASE's By-Laws and Directives that relate to Conflict of Interest on the part of ASE management and employees as well as Conflicts of Interest on the part of Exchange members.

Also, please include any information contained in the SEE By-Laws and Directives that is specifically related to Insider Trading on the part of ASE management and employees as well as Exchange members.

### **Examples**

Internal By-Laws  
of the  
Amman Stock Exchange Securities Market  
Issued by virtue of Articles (25) and (73) of the Securities Law No [23] of the year 1997

**(NOTE: Information is based on the old By-Laws  
please be sure that any information provided is  
from the current By-Laws)**

#### **Article 14:**

The Chairman and members of the Board of Directors shall be committed to constantly pursue the interests of the Stock Exchange and its members, and to abide in particular to the following:

- a.
  1. Declaring any securities owned by them in all public shareholding companies.
  2. Disclosing any private concern they might have in any topic put for discussion before the Board of Directors; in such a case the concerned member must leave the meeting and shall not take part in voting on the relevant decision.
  3. Maintaining the privacy of privileged information relevant to the Stock Exchange and not transmitting it to their companies or to any other party.
  4. Abstaining from the use of any information obtained due to the nature of their work for their own, their companies' or any other party's benefit.
- b. The Chairman and members of the Board of Directors shall be liable to the Stock Exchange, its members and third parties for any violation of operative laws and regulations that any or all of them have committed.

#### **Article 21:**

- a. The Chief Executive Officer as well as any other Stock Exchange staff member must inform the Commission, in writing, of those securities owned by him / her or that he / she has at his / her disposal upon filling his / her position and as soon as any change occurs therein.

- b. It shall be prohibited for the Chief Executive Officer as well as any other Stock Exchange staff member to be a share holder or a partner in any financial broker, or to own or have at his / her disposal any securities issued by a financial broker.

Subject to the provision of sub-paragraph B of this Article, the Chief Executive Officer as well as any other Stock Exchange staff member shall be subject to instructions issued by the Board to regulate ownership of or trading in any securities by any of them.

**Article 22:**

It shall be prohibited for the Chief Executive Officer and any other staff member of the Stock Exchange to do the following:

- a. A. Make use of any information they had access to, due to the nature of their work at the Stock Exchange, for direct or indirect, financial or moral profit.
- b. Divulge any confidential information they had access to, due to the nature of their work at the Stock Exchange, to any other party unauthorized to have access thereto.

Code of Ethics  
of

Amman Stock Exchange Issued by virtue of the provisions of Article 26 (e) of  
the Securities Law No. 23 of 1997

**(NOTE: Information is based on the old By-Laws  
please be sure that any information provided is  
from the current By-Laws)**

Please cite specific Articles in the ASE Code of Ethics that are related to Conflicts of Interest, especially those relating to an Exchange members conduct of business with a client.

**Article 4:**

It shall be prohibited for any member to enter into any operation for its own account, if any of the members of the Board of Directors, or any of its staff, is aware of any circumstances which might render such a transaction a breach of the provisions of Article 68 of the Securities Law, Likewise, it shall be prohibited for the member to enter into any transaction for the account of any of its clients, if the said transaction is in breach of the said Article.

**Article 10:** In the event the member has an interest in the transaction to be conducted for the account of the client, or if it has any relation to the transaction which might lead to a conflict of interests, it shall be prohibited for the member to execute said transaction, unless it brings said interest to the attention of the client, takes the appropriate action to safeguard the client's interest and affords him / her a fair treatment.

**Article 11:** The management of the member shall be fully responsible for the breaches of the regulations and directives committed by its staff.

Please cite all information in the *ASE Directives for Trading in Securities at Amman Stock Exchange / Securities Market Issued by virtue of the provisions of Article 26 (A) of the Securities Law No. 23 of 1997* (Article 1 through Article 99, inclusively) that have any reference to Conflicts of Interest.

### 11.c Investor Protection – Segregation of Assets

***Brokers and banks must assure absolute segregation between clients' money and their own accounts, and respect the priority in which client orders are executed.***

Information required in this portion of WFE Principle 11 is related to Investor Protection and as such has a high degree of importance to the WFE.

#### Examples

Code of Ethics  
of

Amman Stock Exchange Issued by virtue of the provisions of Article 26 (e) of  
the Securities Law No. 23 of 1997

**(NOTE: Information is based on the old By-Laws  
please be sure that any information provided is  
from the current By-Laws)**

#### Article 3:

The member shall respect the Securities Law and the regulations and directives issued by virtue thereof, including those regulations and directives in force at the Stock Exchange; and it shall execute Stock Exchange transactions, in line with sound trading. In particular, the member shall pledge to refrain from doing the following:

- 6) Using securities deposited with it as safe-custody, or securities held in the name of clients, to achieve a private interest.

A brief review of the ASE By-Laws and Directives did not identify any substantial amount of information specifically related to the Segregation of Client Assets. Please provide information from either the ASE By-Laws and Directives, the Securities Law or the JSC Rules and Regulations that would indicate compliance with Segregation of Client Assets.

## 12. Business Conduct

*One of the most important parameters for regulated markets is the level of investor confidence achieved through both the national legal environment and the market regulatory infrastructure. An important element of investor confidence is the fair treatment of the customer. This section elaborates the IOSCO International Conduct of Business Principles (the IOSCO Principles) and puts them in the context of markets, their participants and customers. It aims at offering a benchmark of best practice against which members which have existing codes or formal regulations could test their practice and perhaps revise their codes.*

*Obligations that may be imposed on listed companies, their employees, or investors are not covered here.*

In order to make the process of providing information to WFE Requirement 12 the overall requirement has been segmented, as below.

### 12.a Business Conduct – Honesty & Fairness

#### a. Honesty and Fairness

*A stock market's pricing system being its key function, members of the financial community should honour the integrity of the price formation mechanism. Market participants should go further than avoiding misleading or deceptive acts or representations. They should refrain from any action that would hinder or disrupt the fair and orderly functioning of the market. They should not spread groundless or false information about listed issuers and refrain from any activities designed to mislead others about the true state of the market. Therefore, consideration should be given to outlawing specific manipulative practices, such as trades that involve no change of beneficial ownership or trades that give a false appearance of activity.*

*Although manipulation of prices (including insider dealing) may be prohibited by statutory law as well as exchange rules, specific trading strategies may not be interdicted. In permitting new trading strategies, stock markets should take into consideration the integrity of their pricing mechanisms, provided, however, that such consideration should not be an excuse for anti-competitive decision-making.*

entirely on the basis of the information provided by the issuer. The issuer is responsible for the accuracy of the information provided.

(NOTE: Information is based on the old By-Laws please be sure that any information provided is from the current By-Laws)

## 12.b Business Conduct – Diligence

### **b. Diligence**

*The diligence required in effecting securities transactions is best execution of customer orders. This involves executing agency orders promptly, and if a market order, at the best available price. Charges should be as agreed upon, or else be based on a customary, commission that is fully disclosed. Diligence also involves executing net trades or principal orders at a price closely related to the market price, especially where off-market trading is permitted and disclosing, as may be appropriate to the marketplace, the basis of the mark up or mark down to the customer. Whether the firm is acting in its capacity as principal or agent should also be disclosed to customers.*

*Recommendations by market participants or their employees to customers as to the purchase or sale of securities should be based on adequate and reliable information about the issuer and the nature of the financial instrument. An underwriter should exercise due diligence with regard to an issuer's business affairs and financial condition when preparing an offering.*

*Where an involuntary sale of a customer's securities must be made (due to an unanswered margin call or for other reasons), the market participant should conduct that sale with skill and due care to follow market pricing.*

The compliance information for this portion of WFE Requirement 12 is contained in different portions of the ASE's By-Laws and Directives. Please take care to review all of the ASE By-Laws and Directives in order to extract the maximum amount of compliance information.

### **Examples**

#### **Customer Order Executions**

Please list all of the information in the ASE's *Directives for Trading in Securities at Amman Stock Exchange / Securities Market* Issued by virtue of the provisions of Article 26 (A) of the Securities Law No. 23 of 1997 (**NOTE:** Please be sure that information provided is based on the newly-approved ASE By-Laws and Directives).

**Customer Order Executions**

Information related to Commissions is contained in several sections of the ASE's By-Laws and Directives. Please review all of the ASE By-Laws and Directives in order to extract information on Customer Commissions and requirements for Exchange members' to fully disclose their Commission structures to their customers.

**Order Execution and Principal Trades**

In response to this portion of the WFE Requirement 12 please provide a clear statement as to the ASE environment regarding the execution of Principal Trades, i.e. trades that are executed by Exchange members' for their own account. A brief review of the ASE By-Laws and Directives has indicated that this condition is not applicable to business as it is currently conducted on the ASE. However, even if this is the case the level of non-applicability must be stated clearly and supported with relevant documentation

**Broker Recommendations to Customers**

The majority of information required to document the ASE's adherence with this requirement is contained in the ASE's Code of *Ethics of Amman Stock Exchange Issued by virtue of the provisions of Article 26 (e) of the Securities Law No. 23 of 1997. (NOTE: Please be sure that information provided is based on the newly-approved ASE By-Laws and Directives).*

Please review the Code of Ethics as it appears in the newly-approved ASE By-Laws and Directives and extract information to document the ASE's compliance with this segment.

**Involuntary Sale of Customer Assets – Margin Calls**

There does not appear to be any information related to procedures to be followed in the case of the sale of a customer's assets due to the customer's failure to meet a margin call. Please review the newly-approved ASE By-Laws and Directives to determine if any such information exists. If information required for this segment is contained in the Securities Law or the JSC Rules and Regulations please so indicate.

**12.c Business Conduct – Capabilities****c. Capabilities**

*Consideration should be given to what qualifications Exchanges should impose for membership, and for the qualifications of employees. At the very least, individual market participants or their employees should be fit and proper persons without any record of dishonest or seriously fraudulent activities. Professional training should be expected and competence appropriate to a person's professional position should be demonstrated.*

*Exchanges should have financial responsibility rules for market participants. Market participants should adhere to such rules in a manner that does not jeopardise customer funds or securities held as custodian or the ability of a market participant to complete transactions with other market participants. Market participants should be required to monitor and calculate their financial position with sufficient frequency to remain in compliance with market rules on capital adequacy and solvency.*

Documentation for this segment of WFE Requirement 12 is included in several parts of the ASE's By-Laws and Directives.

### **Examples**

Internal By-Laws  
of the  
Amman Stock Exchange Securities Market  
Issued by virtue of Articles (25) and (73) of the Securities Law No [23] of the year 1997  
**(NOTE: Information is based on the old By-Laws  
please be sure that any information provided is  
from the current By-Laws)**

#### **Article 4:**

The Stock Exchange shall do the following:

- d Lay out the profession's code of ethics and instill fair and impartial principles of work in its members.

#### **Article 17:**

The Board of Directors shall have the following functions and competencies

Upon the approval of the Board, setting the needed regulations and directives for managing Stock Exchange affairs, inter alia;

- 5 Standards of professional ethics that must be applied by members of the Stock Exchange and of the Board of Directors, the chief executive officer and the staff, and the penalties imposed in case of non respect thereof.

Code of Ethics  
of  
Amman Stock Exchange Issued by virtue of the provisions of Article 26 (e) of  
the Securities Law No. 23 of 1997  
**(NOTE: Information is based on the old By-Laws  
please be sure that any information provided is  
from the current By-Laws)**

#### **Article 6:**

A. Each member shall organize its work in a responsible manner, and shall provide sufficient human, technical and financial resources to conduct its business, in accordance with the operative regulations and directives, including these Directives.



**Article 11:**

The management of the member shall be fully responsible for the breaches of the regulations and directives committed by its staff.

Directives for Trading in Securities  
at

Amman Stock Exchange / Securities Market

Issued by virtue of the provisions of Article 26 (A) of the Securities Law No. 23 of 1997

**(NOTE: Information is based on the old By-Laws  
please be sure that any information provided is  
from the current By-Laws)**

**Article 12:**

Entering and executing buying and selling orders through the electronic trading system shall be restricted to certified brokers.

**Article 13:**

A certified broker must pass ASE's prescribed examination.

The last portion of this requirement is contained throughout the *Directives for Trading in Securities at Amman Stock Exchange / Securities Market Issued by virtue of the provisions of Article 26 (A) of the Securities Law No. 23 of 1997*. Please review this section of the ASE By-Laws and Directives and extract the necessary documentation to support the ASE's compliance. **NOTE:** Please be sure to use the newly-adopted ASE By-Laws and Directives when providing this information.

***Financial Responsibility of Market Participants***

A brief review of the ASE By-Laws and Directives did not evidence and specific requirements referring to the WFE requirement that "...**Market participants should be required to monitor and calculate their financial position with sufficient frequency to remain in compliance with market rules on capital adequacy and solvency.**" Please review the ASE By-Laws and Directives in order to find any documentation on this subject. In the event that this requirement is covered in the Securities and/or the JSC Rules and Regulations, please so state.

**12.d Business Conduct – Information about Customers****d. Information about Customers**

*This principle should embrace not only the requirement to obtain such information as may be necessary to recommend suitable investments to a customer, but Exchanges may wish to specify the type of the documentation to fulfil such a requirement. This is particularly important where the client has a fiduciary role, for example, a trust or estate or pension fund. Circumstances under which firms exercise discretionary trading powers should be defined, and it should be made explicit that such trading gives rise to other special fiduciary obligations.*



Information necessary to document the ASE's compliance with this segment of Principle 12 is contained in the *Internal By-Laws of the Amman Stock Exchange Securities Market Issued by virtue of Articles (25) and (73) of the Securities Law No [23] of the year 1997* and in the *Code of Ethics of the Amman Stock Exchange Securities Market Issued by virtue of Articles (25) and (73) of the Securities Law No [23] of the year 1997*. **NOTE:** Please be sure to use the newly-adopted ASE By-Laws and Directives when providing this information.

Please review these sections of the newly-approved ASE By-Laws and Directives and extract information necessary to support the ASE's compliance with this requirement. It is important that specific information be provided regarding the contractual documentation and Exchange member is required to review and execute with a customer.

The portion of this segment that deals with discretionary trading and Exchange members' acting in a fiduciary capacity may not apply in the Jordanian marketplace. If this is the case then information must be provided to support the non-applicability.

## 12.e Business Conduct – Information about Customers

### e. Information for Customers

*A confirmation of each transaction should be sent to customers, including note of such information as may be appropriate to confirm fair dealing. There should be disclosure of such facts as may impair a firm's independence in its dealings with customers. Market participants should keep and maintain a detailed record of each trade, in order to be able to respond to customers or the Exchange concerning best execution.*

*A market participant should disclose its financial condition to customers upon request*

The majority, if not all, information required by this section is included in the ASE's *Code of Ethics of the Amman Stock Exchange Securities Market Issued by virtue of Articles (25) and (73) of the Securities Law No [23] of the year 1997*. Please extract the appropriate information to match the specifics of the requirement. **NOTE:** Please be sure to use the newly-adopted ASE By-Laws and Directives when providing this information.

There are references to the record keeping requirements for ASE members throughout the ASE's By-Laws and Directives, please review the ASE By-Laws and Directives and extract any information that is related to a member's record keeping requirements.

**12.f Business Conduct – Conflicts of Interest****f. Conflicts of Interest**

*The increased complexity and sophistication of the securities business, along with the deregulation of the industry, has led to more numerous conflict of interest situations. Conflicts need to be managed in such a way that customers are not at a disadvantage. The most common conflicts include those between a market participant's investment banking, trading, research, mergers and acquisitions advisory business, and lending activities. Where feasible, conflicts should be managed by obtaining the informed consent of customers to a transaction. In addition, the management of conflicts may be ameliorated by the creation of appropriate Chinese walls.*

*Market participants should be especially sensitive to the conflicts that may exist between their trading activities and other commercial operations. Recommendations to customers must be based on the interests of customers and not be made to increase or reduce a market participant's trading position. Market participants and their employees cannot be permitted to effect trades for their own accounts ahead of customers' orders.*

The majority, if not all, information required by this section is included in the ASE's *Code of Ethics of the Amman Stock Exchange Securities Market Issued by virtue of Articles (25) and (73) of the Securities Law No [23] of the year 1997*. Please extract the appropriate information to match the specifics of the requirement. **NOTE:** Please be sure to use the newly-adopted ASE By-Laws and Directives when providing this information.

There are references to Conflicts of Interest for ASE members throughout the ASE's By-Laws and Directives, please review the ASE By-Laws and Directives and extract any information that is related to a member's record keeping requirements.

## 12.g Business Conduct – Conflicts of Interest

### **g. Compliance**

*Market participants should ensure that their partners or officers and directors are sufficiently active in the affairs of the firm to demonstrate their compliance with statutory and self-regulatory obligations.*

*Firms should develop systems for the supervision of accounts of employees and compliance with applicable regulations. Rules of conduct for Exchange staff members as well as employees from market participants should be formulated. A system for reporting of employee securities transactions should be put in place by Exchanges and market participants. Such a system should include the need for prior consent by market participants for employees to maintain accounts of any other market participant.*

*Market participants should keep accurate and detailed records and ensure that all reports to be made are honest. Market participants should conform to the just and equitable principles of conduct embodied in exchange rules and commonly practised in the marketplaces in which they conduct business.*

Most of the material required to document compliance with this segment of WFE Requirement 12 has already been documented in previous questions. However, since the WFE has chosen to treat the subject separately, a separate response is required.

Please review previous responses and extract information already extracted to match the specific points mentioned in this segment. Specific information should be supplied as related to:

- Requirements for Exchange member's management
- Rules for the conduct of Exchange member's staff
- Supervision of Exchange member's employees' accounts
- Exchange members' record keeping requirements

## 13. Transparency

### 13.a Transparency - Statistics

#### **a. Statistics**

*The market should have a statistics function which allows it to gain insights into the trading activity, activity on the primary market, indices, etc.*

*The methodology used in compiling the statistics should be clearly explained, and diligence, in the best interests of its customers and the integrity of the market.*

Information required for this section is contained throughout the ASE By-Laws and Directives.

### **Examples**

Internal By-Laws  
of the  
Amman Stock Exchange Securities Market  
Issued by virtue of Articles (25) and (73) of the Securities Law No [23] of the year 1997  
**(NOTE: Information is based on the old By-Laws  
please be sure that any information provided is  
from the current By-Laws)**

#### **Article 4:**

The Stock Exchange shall do the following:

#### **Article 17:**

The Board of Directors shall have the following functions and competencies:

- 3 Supervising the provision and dissemination of sufficient and timely information and data on trading in securities, and verifying its validity, accuracy and clarity.

Directives on Disclosure Related  
to  
Amman Stock Exchange Issued by virtue of the provisions of Article 26 (c &d) of the  
Securities Law No. 23 of 1997  
**(NOTE: Information is based on the old By-Laws  
please be sure that any information provided is  
from the current By-Laws)**

#### **Article 3:**

A. The Stock Exchange must disclose the following information:

- 6) Daily, weekly, monthly and annual data, which cover each company's trading, as well as the sector movements, in terms of number of traded shares, volume of trading, number of contracts, prices, indices and key financial indicators.
- 7) Information and data coming to the Stock Exchange, which have an influence on the prices of securities, and the trading flow.

C. Disclosure shall be through Stock Exchange bulletins, and information shall be circulated to the Stock Exchange members and shall be announced via those methods deemed appropriate by the Stock Exchange.

### 13.b Transparency – Market Information

#### **b. Market Information**

*The Exchange should have systems and procedures in place assuring that important information related to listed companies and of a price-sensitive nature be distributed as soon as possible to all market participants. Pre- and post-trade information should be available for market participants and supervisors. Selected market data should be available to the public, either through the traditional media or using modern communication tools.*

Most of the material required to document compliance with this segment of WFE Requirement 13 has already been documented in previous questions. However, since the WFE has chosen to treat the subject separately, a separate response is required.

Please review previous responses and extract information already extracted to match the specific points mentioned in this segment. Specific information should be supplied as related to:

- Dissemination of regular market data
- Dissemination of unusual, price-sensitive information
- Availability of Market Data to all participants (cite Market Data Ticker)
- Dissemination of regular Market Data through national newspapers

### 13.c Transparency – Trading

#### **c. Trading**

*The trading methodology should be transparent, in accordance with principles of fairness and equality and principles for the protection of investors. Principles like "time/price" priority, equitability and integrity must be adhered to.*

*The trading activity should be checked constantly by audit trails, stock watch systems, etc. on a real-time basis if possible. Investors should have access to public data, in order to verify that their orders were executed at a fair price. A firm should try to avoid conflicts of interest, and when they cannot be avoided, should ensure that its customers are fairly treated.*

Information for this segment of WFE Requirement 13 is contained in the ASE's *Directives for Trading in Securities at Amman Stock Exchange / Securities Market Issued by virtue of the provisions of Article 26 (A) of the Securities Law No. 23 of 1997* (NOTE: Please use the newly-adopted ASE By-Laws and Directives)

Much of the information required in this section has been previously documented in other sections of this questionnaire. However, due to the fact that the WFE has decided to treat this issue again, a separate response is required.

It would be recommended that the entire section on Trading at The Amman Stock Exchange, including all Articles, be supplied as a response to this section.

## 14. Foreign Investment

*In the event that foreign investors are not allowed to trade domestic securities, and domestic investors are unable to trade foreign securities, a time plan should exist for the abolition of existing restrictions, including the authorities concerned. There should be no approval needed for foreign investment ; no inward or outward foreign exchange remittance restrictions that cause delays; no special classes of shares for foreign investors; no or minimal restrictions on the foreign ownership of home market securities.*

*The entire financial market must observe banking and other financial rules and regulations that exist for the prevention of money laundering and similar misuse of the financial markets to the detriment of their integrity and honesty.*

There is very little information in the ASE's By-Laws and Directives devoted to Foreign Investors. Please extract what information is available. The majority of information for this section will be available from the Securities Law and the JSC's Rules and Regulations.

## 15. Compliance with the Federation Recommendations

*Members and candidates for membership of World Federation of Exchanges are obligated to bring their business operations in line with these recommendations as rapidly as is feasible, and to assure that they remain in line or become even better.*

The response to this WFE requirement will be drafted jointly by the ASE Legal Department and the consultancy.

## 2. Organisation and Operations

Exchanges should have available and maintain adequate organisational infrastructure and operational resources to enable them to offer the proper tools for trading in securities.

### 2.a Legal Status

*The exchange should have the legal status of a recognized securities market in the country in which it is domiciled. A national securities law should be enacted covering the exchange(s), its powers and obligations.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE OPERATIONS DEPARTMENT RELATED TO THIS WFE REQUIREMENT.**

### 2.b Statutes

*The exchange should have properly drafted Statutes, at a minimum covering its governance, the composition of the governing body, indications for constituents from which council members are appointed/elected, its mission, and its rules and regulations.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE OPERATIONS DEPARTMENT RELATED TO THIS WFE REQUIREMENT.**

### 2.d Monitoring of Market Participants

*On an on-going basis, the exchange should have infrastructure in place for the supervision for which it has responsibility, indicating the frequency of monitoring, the scope of its authority, actions to be taken in case of non-compliance, etc. The financial and trade reporting obligations of market participants should have their formal basis here. The exchange's oversight should encompass capital adequacy, position limits, collateral quantity and quality, internal compliance rules, market conduct and behaviour, etc.*

2.d.1 In order to support the Exchange's role in monitoring its participants please provide details of all information required by the ASE Operations Department from ASE participants. For purposes of the WFE requirements exchange participants include both members of the Exchange who trade securities and Issuers who list their securities on the Exchange.

Participant reporting details may consist of changes to participant information on file with the ASE such as the names of a participant's authorized employees, changes to participants' contact information (i.e. telephone numbers, mailing addresses, etc.) or the addition of participants' branch offices.

The By-Laws and Directives of the ASE covering Disclosure contain many requirements related to information that must be disclosed by the ASE, trading members of the Exchange and Issuers that list their securities on the Exchange. Based on the examples listed below, please indicate which disclosure requirements, if any, are the responsibility of the Operations Department and the manner in which the Operations Department manages these responsibilities. In the event that none of the disclosure requirements are the responsibility of the ASE Operations Department and therefore are not handled by this department please so indicate.

#### **Examples**

#### **Directives on Disclosure Related to**

Amman Stock Exchange Issued by virtue of the provisions of Article 26 (c &d) of the Securities Law No. 23 of 1997

**(NOTE: Information is based on the old By-Laws  
please be sure that any information provided  
is from the current By-Laws)**

#### **Article 3:**

A. The Stock Exchange must disclose the following information:

- 1) Names of issuers of securities listed on the Stock Exchange.
- 2) Names of issuers of securities suspended from trading.
- 3) Names and addresses of the Stock Exchange members.
- 4) Names of the Stock Exchange members barred from practicing.
- 5) Names of the certified financial professionals licensed to trade on the Stock Exchange.
- 6) Daily, weekly, monthly and annual data, which cover each company's trading, as well as the sector movements, in terms of number of traded shares, volume of trading, number of contracts, prices, indices and key financial indicators.
- 7) Information and data coming to the Stock Exchange, which have an influence on the prices of securities, and the trading flow.

B. The public may have access to and may make copies of, against consideration, the information and data mentioned in sub-paragraph A of this Article.

C. Disclosure shall be through Stock Exchange bulletins, and information shall be circulated to the Stock Exchange members and shall be announced via those methods deemed appropriate by the Stock Exchange.



**NOTE:** Information related to participants' financial reporting are included in the WFE Questionnaire for the ASE Finance Department.

## 2.e Organisational Structure

*The organisational structure of the exchange should be formal and allow for the correct management of financial market operations. The staff of the exchange needs to be fit and properly qualified for the job. A formalised human resources activity should be established to attract and keep professional staff, avoiding the risk to operations from high turnover.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE OPERATIONS DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

## 2.f Regulatory Infrastructure

*At a minimum, the official exchange rules should include information on: trading, including transparency and reporting, listing, market participation, discipline and sanctions, clearing and settlement, and recourse procedures.*

### 2.f.1 Trade Reporting

In order to document the ASE Operations Department role and responsibilities in enforcing the ASE's By-Laws and Directives, please list those requirements, contained in the ASE's By-Laws and Directives, that are the responsibility of the ASE Operations Department.

**NOTE:** It is not required to provide details as to how the ASE Operations Department meets these responsibilities. For purposes of this question it is only required to provide the appropriate Article from the ASE By-Laws and Directives and the task or requirement. The list may be in bullet point format but should address tasks related to:

- Trade Reporting
- Transparency of Orders Entered
- Exchange Member requests for changes to orders entered, trades executed and/or cancellation of trades
- Providing documentation to ASE management in dispute resolution cases

## 2.h Funding the Organization

*The financial soundness of exchange should be the result of a sound business plan. It should show a positive track record for at least 3 years.*

*The annual report of the exchange needs to be certified by an independent chartered accountant, in compliance with International Accounting Standards (IAS), if necessary in the Notes to the Accounts or as a separate statement in addition to compliance with any different local standards.*

*The market should be designed to operate in a manner equitable to all who access it. Any differences in treatment among users, regardless of the means of access (electronic or other) must not be tolerated. Access to the market should not be arbitrarily granted, and no discrimination should be shown.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE OPERATIONS DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

## 3. Access to the Market

*The market should be designed to operate in a manner equitable to all who access it. Any differences in treatment among users, regardless of the means of access (electronic or other) must not be tolerated. Access to the market should not be arbitrarily granted, and no discrimination should be shown.*

*Procedures should be established such that market participants Adhere to the competence, integrity, financial soundness and authority, and that adequate supervision be in place.*

*Exchange rules and regulations must stipulate:*

- *terms and conditions for equal access to the market, including those to do with financial integrity and business ethics;*
- *the professionalism of intermediaries and their employees;*
- *minimum capital requirements and solvency of intermediaries;*
- *compliance instruments that safeguard the standing and credit worthiness of intermediaries;*
- *enforcement and disciplinary procedures, including the sanctions to be applied; and,*
- *management of conflicts of interest among and within market users.*

**NOTE:** Although this WFE requirement does not directly involve the ASE's Operations Department, it is important that if, in the opinion of members of the ASE's Operations Department, any of this WFE requirement's details apply to the roles and responsibilities of the ASE's Operations Department the level of involvement should be noted.

**IN GENERAL (SEE NOTE, ABOVE) THERE IS NO INFORMATION REQUIRED FROM THE ASE OPERATIONS DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

## **4. Listing of and Disclosure on Traded Financial Products**

### **4. a Exchange Requirements**

*Exchanges should require:*

- *that listed companies be of an adequate size and have sufficient shares in hands of the public to safeguard an orderly and fair market;*
- *timely, and the widest possible disclosure of business and financial information materially affecting listed companies;*
- *regular disclosure of financial information by listed companies; and,*
- *disclosure to investors of the nature, risk and investment potential inherent in the traded financial products.*

**NOTE:** Although this WFE requirement does not directly involve the ASE's Operations Department, it is important that if, in the opinion of members of the ASE's Operations Department, any of this WFE requirement's details apply to the roles and responsibilities of the ASE's Operations Department the level of involvement should be noted.

There are two possible portions of the WFE requirement that might effect the work of the ASE's Operations Department. Please consider the requirement's portions, listed below, to insure that there is or there is not any involvement on the part of the ASE's Operations Department. The portions of the WFE requirement to be considered are:

- *that listed companies be of an adequate size and have sufficient shares in hands of the public to safeguard an orderly and fair market*

- *timely, and the widest possible disclosure of business and financial information materially affecting listed companies*

**IN GENERAL (SEE NOTE, ABOVE) THERE IS NO INFORMATION REQUIRED FROM THE ASE OPERATIONS DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

#### **4. b Exchange Goals – Cross Border Trading**

*Exchanges should work towards:*

- *regulatory co-ordination among markets where financial products are jointly listed, in order that there be a synchronized disclosure of information, and*
- *the support of cross-border listing and trading.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE OPERATIONS DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

#### **4. c Exchange Goals – Timely Listing Procedures**

*The listing procedures, time schedule for the processing of the dossier, costs or the company, minimum size of capitalisation, and other requirements should be compiled in one rulebook, which is publicly available. In case listing responsibilities are shared with the supervisory agency, it should be clear where the ultimate decision in the listing process lies. Foreign issuing companies should be subject to the same rules as the domestic ones.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE OPERATIONS DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

### **5. Trading**

#### **5.a Trading – Exchange Accountability**

*The accountability of the Exchange to market users should be described, especially in any agreements that seek to modify the distribution of responsibilities among actors.*

## THERE IS NO INFORMATION REQUIRED FROM THE ASE OPERATIONS DEPARTMENT RELATED TO THIS WFE REQUIREMENT

### 5.b Trading – Audit Trails & Market Data Dissemination

*Transaction audit trails should be available to investors and regulators; only the information to regulators will include non-public information. Pre- and post-trade information should be provided on a timely basis.*

This WFE requirement is concerned with the transparency of information a market distributes to its members and to the general public. The requirement is in place to insure that complete and accurate market information is available to all market participants. The exception to this requirement is market information that is considered to be of a confidential nature and as such should be available only to the market regulators, Exchange management and the Exchange's Legal Department.

Based on the examples provided, below, please identify those portions of the ASE's By-Laws and Directives under which the ASE Operations Department must provide information for either internal or external purposes. Based on the ASE By-Law and/or Directive identified, please provide a brief description as to how the ASE Operations Department complies. A simple, brief description of the compliance process is all that is required.

In those cases where the examples provided do not apply please so state.

#### **Examples**

Internal By-Laws  
of the  
Amman Stock Exchange Securities Market  
Issued by virtue of Articles (25) and (73) of the Securities Law No [23] of the year 1997

**(NOTE: Information is based on the old By-Laws  
please be sure that any information provided  
is from the current By-Laws)**

#### **Article 4:**

The Stock Exchange shall do the following:

- a Monitor market trading, and coordinate with the Commission the follow up of such transactions, in order to secure investor protection and non-manipulation of trading in securities.

- e Prepare reports and disseminate information on the Stock Exchange's activities.

**Article 5:**

- a. Trading in listed securities shall take place by way of deals negotiated among financial brokers, each on behalf of his / her client or portfolio. Said deals shall be confirmed in entries in the Stock Exchange records.

**Article 17:**

The Board of Directors shall have the following functions and competences:

- a Managing and developing the Stock Exchange, including inter alia:
  - 2. Monitoring Stock Exchange operations to safeguard the interests of operating investors, and to ensure that dealing is carried on sound and fair basis.
  - 3. Supervising the provision and dissemination of sufficient and timely information and data on trading in securities, and verifying its validity, accuracy and clarity.
- b Upon the approval of the Board, setting the needed regulations and directives for managing Stock Exchange affairs, inter alia;
  - 4. Information, data and records which the Stock Exchange must disclose, and those that the public may have access to and make copies of.

Directives on Disclosure Related  
to

Amman Stock Exchange Issued by virtue of the provisions of Article 26 (c & d) of the  
Securities Law No. 23 of 1997

**(NOTE: Information is based on the old By-Laws  
please be sure that any information provided  
is from the current By-Laws)**

**Article 3:**

A. The Stock Exchange must disclose the following information:

- 1) Names of issuers of securities listed on the Stock Exchange.
- 2) Names of issuers of securities suspended from trading.
- 3) Names and addresses of the Stock Exchange members.
- 4) Names of the Stock Exchange members barred from practicing.
- 5) Names of the certified financial professionals licensed to trade on the Stock Exchange.
- 6) Daily, weekly, monthly and annual data, which cover each company's trading, as well as the sector movements, in terms of number of traded shares, volume of trading, number of contracts, prices, indices and key financial indicators.

B. The public may have access to and may make copies of, against consideration, the information and data mentioned in sub-paragraph A of this Article.

C. Disclosure shall be through Stock Exchange bulletins, and information shall be circulated to the Stock Exchange members and shall be announced via those methods deemed appropriate by the Stock Exchange.

Directives for Trading in Securities  
at

Amman Stock Exchange / Securities Market

Issued by virtue of the provisions of Article 26 (A) of the Securities Law No. 23 of 1997

**(NOTE: Information is based on the old By-Laws  
please be sure that any information provided  
is from the current By-Laws)**

**Article 18:**

Securities listed on ASE shall be traded through brokers and confirmed in entries, made either manually or electronically, on the daily records.

**Article 23:**

ASE shall immediately notify brokers of any change on the time schedule of the trading sessions, resulting from any technical failure in the trading system.

**NOTE:** In the sample Articles 25 & 26, below, does the ASE Operations Department have any responsibilities in establishing rules and regulations or for monitoring these processes?

**Article 25:**

The trading session of both fixing and multi fixing pricing groups shall be divided into the following phases:

- A. Pre-opening phase.
- B. Opening phase.
- C. Post-opening phase.
- D. Pre-closing phase.
- E. Closing phase.

**Article 26:**

The trading session of the continuous pricing group shall be divided into the following phases:

- A. Pre-opening phase.
- B. Opening phase.
- C. Continuous trading phase.

**Article 56:**

A broker may amend or cancel its non executed orders which are entered on the system, in the pre-opening, post-opening phases, and continuous trading phases.

**Article 63:**

Orders shall be executed according to the procedures set for trading in the concerned security, at the time fixed for its trading.

**Article 64:**

A. Execution of selling and buying orders, or of selling or buying orders, of a specific security of the same client, through more than one broker, in the same session shall be subject to the following penalties and executive procedures:

1. Waive of the entire right of the broker to its commissions on such foul orders, in favor of ASE.
2. Cancellation of the contracts of the seller client with the seller brokers, through the purchase of same quantity by these concerned brokers, at existing prices on the day of settlement of such breach, in favor of the brokers' buyer clients in same contracts. The full amount of capital profits that can be made by the client shall be transferred to ASE, and the client shall bear any loss or costs that might result in such an event.
3. Cancellation of the contracts of the buyer client with the buyer brokers, through the sale of same quantity of shares by these concerned brokers, at existing prices on the day of settlement of such breach, in favor of the brokers' seller clients in same contracts. The full amount of capital profits that can be made by the client shall be transferred to ASE, and the client shall bear any loss or costs that might result in such an event.
4. The same procedures shall apply to brokers, whether the client is a seller or a buyer (with each of them).

**Article 68:**

A block trade shall be executed according to the following conditions:

1. It must be executed (bought or sold) in one block, upon the client's order and authorization.
- B. The value of securities must not be less than the minimum allowed for this company by the Board of Directors.
- C. The authorization must be in writing by the client.
- D. A single person must own the security.

**Article 70:**

For a block trade to be executed, it must be entered by both sides within the time allotted for trading in block trades on the designed window for that purpose. In the event one side fails to enter the block in the allotted time, it shall be canceled.

**Article 71:**

The broker shall execute a block trade at the closing price, or at rate higher or lower than the closing price as set by the Board of Directors for this purpose.



**Article 72:**

Execution of a cross block trade shall be subject to the same conditions of executing block trades referred to in Article 68 of these Directives.

**Article 76:**

- B. The broker who causes freezing of a security must immediately call the Trading department to confirm or to cancel the sent order that caused the freezing.
- C. If the broker who sends the order that caused freezing does not confirm the order within two minutes, the trading monitor shall lift off the state of freezing and reject the order.
- D. If the broker who sends the order that caused freezing does confirm the order, the trading monitor shall amend the closing price upwards to the maximum price allowed in case of a price rise, and downwards to the minimum price allowed in case of a price drop. The security shall be reserved for period to be fixed by the Board of Directors.

**Article 83:**

Entry of orders on any security in the trading session can be temporarily forbidden by ASE officers in charge of monitoring , for technical reasons and subject to these Directives.

**Article 84:**

ASE shall have the right to cancel any transaction(s) that run counter to the Law, regulations or directives in force.

**Article 85:**

A. ASE shall have the right to cancel any trading transaction that was executed during the trading session phases, in the following cases:

- A An error that occurs while sending the order, provided that the concerned broker requests cancellation within 10 minutes of execution, following the other party's approval and prior to the closing phase.
- B Any technical failure, and the concerned brokers shall be so notified immediately.

B. No cancellation of any trading transaction that affects the opening price in the various pricing groups shall be permitted.

**Article 86:**

Trading on a security shall be temporarily suspended during the trading session while a trading transaction is being canceled.

**Article 87:**

When requesting the cancellation of any trading transaction, the concerned brokers shall fill a special form designed for this purpose and shall hand it to the Trading Monitoring

**Article 88:**

ASE officers in charge of monitoring trading shall have the right to cancel orders entered on the trading system, related to selling and buying orders of a specific security, if the prices of said orders are meant to mislead or hamper trading on said security.

**Article 89:**

Competent ASE employee, who has a written authorization from the Executive Manager, may, in special cases, directly and personally execute buying or selling from the orders shown on the Market by Order, on behalf of brokers, in line with the laws, regulations and directives in force.

**Article 90:**

If any broker is unable to enter into the system due to a technical failure, ASE shall assist and allow him / her to use back-up hardware available at ASE to enter into the trading system and put his / her orders. In the event of several brokers being unable to enter into the system, it shall be left to ASE Management either to continue or to stop the trading session, as dictated by the market interests.

**Article 95:**

ASE officers in charge of monitoring trading shall be responsible for keeping order, and watching over the conduct of certified brokers and the public during the trading sessions; and no broker shall have the right to interfere in their powers.

**Article 96:**

ASE officers in charge of monitoring trading shall keep on eye on the sound implementation of trading procedures and the regulations issued in this respect, each according to his / her specialty.

**5.c Trading – Market Transparency**

*The transparency of the market is a crucial element of fairness and must be assured at all times. Although markets may offer different degrees of transparency depending upon the balance struck between transparency and liquidity, nevertheless, whatever the structure transactions must be reported immediately to the exchange, with details as to price and volume.*

*Exchanges should undertake:*

- *to promote well balanced transparency by publicly disclosing transaction data;*
- *to establish and maintain trading rules to protect investors, such as "best execution" rules, regulatory trading halts, etc.*
- *to create transparency with respect to the capacity in which the intermediaries operate.*

### 5.c.1 Trading – Market Transparency: Public Disclosure of Transaction Data

*Exchanges should undertake:*

- *to promote well balanced transparency by publicly disclosing transaction data;*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE OPERATIONS DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

**INFORMATION REQUIRED FOR THIS WFE REQUIREMENT HAS BEEN INCLUDED IN THE ASE IT DEPARTMENT QUESTIONNAIRE**

### 5.c.2 Trading – Investor Protection: Trading Rules

*Exchanges should undertake:*

- *to establish and maintain trading rules to protect investors, such as "best execution" rules, regulatory trading halts, etc.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE OPERATIONS DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

**IT DEPARTMENT QUESTIONNAIRE INFORMATION REQUIRED FOR THIS WFE REQUIREMENT HAS BEEN INCLUDED IN THE ASE**

### 5.d Trading – Cross-Border Trading: Foreign Participants

*The market should allow for cross-border trading. Duplicative regulation of the accessed market by the authorities in the jurisdiction in which it is located ("home country regulator") and those in the jurisdiction in which the accessing party is located ("host country regulator") should be avoided.*

*Foreign players should have identical rights - and obligations - as local players, provided their business attitude and financial soundness are comparable to those required in the market of the access provider.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE OPERATIONS DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

### 5.e Trading – Cross-Border Trading: Market Regulation

*The market should allow for cross-border trading. Duplicative regulation of the accessed market by the authorities in the jurisdiction in which it is located ("home country regulator") and those in the jurisdiction in which the accessing party is located ("host country regulator") should be avoided.*

*Foreign players should have identical rights - and obligations - as local players, provided their business attitude and financial soundness are comparable to those required in the market of the access provider.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE OPERATIONS DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

### 6. Clearing and Settlement

*The clearing and settlement facilities provided by the Exchange, its subsidiaries or others must provide for the efficient, safe and prompt settlement of transactions within the internationally accepted standards of the G-30 and ISSA, or be better.*

*The Exchange will :*

- *make adequate arrangements for safe and timely clearing, and correct settlement of the transactions concluded on the market ;*
- *see to it that cross-border clearing and settlement activities are facilitated;*
- *be instrumental in the development of national central securities depositories, immobilisation, dematerialisation of securities, lending and borrowing contracts and arrangements;*
- *contribute to the standardisation and implementation of securities industry processes;*
- *assure that ownership of securities should be explicitly embedded in national law.*

*A well-defined system of laws relating to property, contracts, securities, trusts, bankruptcy and taxation should exist.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE OPERATIONS DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

## 7. Technical Infrastructure

*The market IT systems should maintain adequate capacity to meet the needs of market users. Back-up systems and contingency procedures to be followed in the event of an operational failure are to be maintained on a current, ready basis. Before implementation and on a periodic basis thereafter, the market and system interfaces should be subject to an objective risk assessment to identify vulnerabilities, which may exist in the system design, development, or implementation. These would include the risk of unauthorised access, internal failures, human errors, attacks and natural catastrophes.*

### **THERE IS NO INFORMATION REQUIRED FROM THE ASE OPERATIONS DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

#### **NOTE:**

##### **7.a.1 Contingency Plan Support**

Although the design and implementation of a Disaster Recovery Plan and/or a Business Resumption Plan is usually the responsibility of an Exchange's Information Technology Department, an Exchange's Operations Department in many cases manages the actual, non-technical operational logistics required to put the plan into action, if and when required.

Many Exchanges' Operations Departments create personnel notification procedures to be utilized in case of a system outage. Additionally, many Exchange Operations Departments are responsible for creating logistics plans for transporting key Operations personnel from one location to another, for arranging hotel accommodations in the event of an extended outage or mandatory off-site operations.

In the event that the ASE Operations Department is responsible for any of these support tasks, please provide a brief outline describing the roles and responsibilities of the ASE Operations Department.

##### **7.a.2 Site Safety & Security**

Many Exchanges' Operations Departments are responsible for implementing building safety and security plans. Such plans are required in the event of a fire, flood or other natural disasters. In the event that the ASE Operations Department has been assigned any such responsibilities please provide a brief description of the ASE Operations department's roles and responsibilities.

## 8. Risk Management

*Regulators and the Exchange should consider any risk exposures pertinent to the system, including those arising from interaction with related financial systems, domestic or abroad. This would include the foreign exchange markets, derivative markets, the banking market and payment systems.*

*To assure the financial integrity of the market and the ability of its participants to fulfil their obligations as users, the Exchange should have in place risk management tools, such as position limits, margin requirements, minimum capital requirements, mark-to-market systems, etc.*

### 8.a Risk Management – Position Limits

In the event that the ASE imposes Trading Limits on its members, please provide a brief description of the roles and responsibilities of the ASE Operations Department in monitoring and enforcing such Trading Limits. Additionally, please connect the roles and responsibilities of the ASE Operations in regards to Trading Limits to the appropriate Articles of the ASE's By-Laws & Directives.

In the event that the ASE does not impose any Trading Limits on its members, please so state.

### 8.b Risk Management – Margin Requirements

In the event that the ASE imposes Margin Requirements on its members, please provide a brief description of the roles and responsibilities of the ASE Operations Department in monitoring and enforcing such Margin Requirements. Additionally, please connect the roles and responsibilities of the ASE Operations in regards to Margin Trading to the appropriate Articles of the ASE's By-Laws & Directives.

In the event that the ASE does not impose and/or enforce Margin Requirements on its members, please so state.

### 8.c Risk Management – Minimum Capital Requirements

**THERE IS NO INFORMATION REQUIRED FROM THE ASE OPERATIONS DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

### 8.d Risk Management – Mark-to-Market Systems

**THERE IS NO INFORMATION REQUIRED FROM THE ASE OPERATIONS DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

## **9. The Settlement of Disputes, Dealing with Complaints of Investors, and Arbitration Facilities**

*The Exchange should put facilities in place which offer effective treatment of disputes and complaints from investors regarding the behaviour and business conduct of intermediaries. These should be as simple and expeditious as possible, within the limitations of national law.*

**NOTE:** Although there is no direct involvement by the ASE Operations Department in this WFE requirement, please note if the ASE Operations Department has any responsibilities to supply information for these proceedings.

**THERE IS NO INFORMATION REQUIRED FROM THE ASE OPERATIONS DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

## **10. Supervision, Surveillance & Enforcement**

*The Exchange must assure that mechanisms are in place to ensure that the information necessary to conduct adequate surveillance of the market for supervisory and enforcement purposes is available on a timely basis.*

*The securities regulatory agency must be established with broad inspection and enforcement authority, and adequate oversight over the players in the market. Its enforcement of applicable regulations must be transparent. In case of a division of regulatory responsibilities between the Exchange and the regulator, the responsibilities and powers of each party should be formalised and cover the entire area to be supervised.*

*Markets, which have a separate banking supervisor, should have a clear separation of responsibilities, in the event that banks may be actors on the securities markets. Regulatory co-ordination between the regulators should be fostered.*

*The Exchange should report to the regulator when it becomes aware that reasonable grounds exist to suspect that a market user may have violated the jurisdiction's laws, or its internal rules and regulations.*

*Records made or received by the Exchange stemming from the operation of its trading system, relating to financial statements, and data regarding indications of market interest, quotations, orders, and trades in the system itself should all be preserved for a reasonable period of time, in most instances meaning many years. These should be furnished promptly upon request by the relevant regulator.*

### 10.a Supervision, Surveillance & Enforcement – Surveillance Information

*The Exchange must assure that mechanisms are in place to ensure that the information necessary to conduct adequate surveillance of the market for supervisory and enforcement purposes is available on a timely basis.*

Please provide a description of the roles and responsibilities of the ASE Operations Department in collecting and supplying information to the ASE Market Surveillance Department to assist that department.

Additionally, please provide the ASE By-Law & Directive under which this information is collected by the ASE Operations Department.

### 10.b Supervision, Surveillance & Enforcement – Enforcement

*The securities regulatory agency must be established with broad inspection and enforcement authority, and adequate oversight over the players in the market. Its enforcement of applicable regulations must be transparent. In case of a division of regulatory responsibilities between the Exchange and the regulator, the responsibilities and powers of each party should be formalised and cover the entire area to be supervised.*

*Markets, which have a separate banking supervisor, should have a clear separation of responsibilities, in the event that banks may be actors on the securities markets. Regulatory co-ordination between the regulators should be fostered.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE OPERATIONS DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

### 10.c Supervision, Surveillance & Enforcement – Supervision

*The Exchange should report to the regulator when it becomes aware that reasonable grounds exist to suspect that a market user may have violated the jurisdiction's laws, or its internal rules and regulations.*

*Records made or received by the Exchange stemming from the operation of its trading system, relating to financial statements, and data regarding indications of market interest, quotations, orders, and trades in the system itself should all be preserved for a reasonable period of time, in most instances meaning many years. These should be furnished promptly upon request by the relevant regulator.*



**NOTE:** Although there is no direct involvement by the ASE Operations Department in this WFE requirement, please note if the ASE Operations Department has any responsibilities in the retention, storage and retrieval of information.

**THERE IS NO INFORMATION REQUIRED FROM THE ASE OPERATIONS DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

## 11. Investor Protection

*Specific rules and regulations, like on disclosure and transparency, that serve to protect investors should be in place. These include guarantees such as compensation funds, insurance policies or their equivalent. If the Exchange or a related organisation holds or safeguards funds intended to guarantee the clearing of trades, or to compensate investors in the event of the insolvency of a member of the market, procedures and controls should be implemented to assure the availability of those funds. These funds are on stand-by as a lender of the last resort to the market.*

*A specific regime should be in place for staff of the Exchange and the clearinghouse/depository, to avoid conflicts of interest and insider trading. Comparable rules should be in place for all other users of the market. Insider trading and other forms of unfair markets should be prohibited, either by law or code of conduct, with adequate enforcement tools available.*

*Brokers and banks must assure absolute segregation between clients' money and their own accounts, and respect the priority in which client orders are executed.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE OPERATIONS DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

### 11.a Investor Protection - Guarantees

*Specific rules and regulations, like on disclosure and transparency, that serve to protect investors should be in place. These include guarantees such as compensation funds, insurance policies or their equivalent. If the Exchange or a related organisation holds or safeguards funds intended to guarantee the clearing of trades, or to compensate investors in the event of the insolvency of a member of the market, procedures and controls should be implemented to assure the availability of those funds. These funds are on stand-by as a lender of the last resort to the market.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE OPERATIONS DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

### **11.b Investor Protection – Conflicts of Interest**

*A specific regime should be in place for staff of the Exchange and the clearinghouse/depository, to avoid conflicts of interest and insider trading. Comparable rules should be in place for all other users of the market. Insider trading and other forms of unfair markets should be prohibited, either by law or code of conduct, with adequate enforcement tools available.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE OPERATIONS DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

### **11.c Investor Protection – Segregation of Assets**

*Brokers and banks must assure absolute segregation between clients' money and their own accounts, and respect the priority in which client orders are executed.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE OPERATIONS DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

## **12. Business Conduct**

*One of the most important parameters for regulated markets is the level of investor confidence achieved through both the national legal environment and the market regulatory infrastructure. An important element of investor confidence is the fair treatment of the customer. This section elaborates the IOSCO International Conduct of Business Principles (the IOSCO Principles) and puts them in the context of markets, their participants and customers. It aims at offering a benchmark of best practice against which members which have existing codes or formal regulations could test their practice and perhaps revise their codes.*

*Obligations that may be imposed on listed companies, their employees, or investors are not covered here.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE OPERATIONS DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

## 12.a Business Conduct – Honesty & Fairness

### a. Honesty and Fairness

*A stock market's pricing system being its key function, members of the financial community should honour the integrity of the price formation mechanism. Market participants should go further than avoiding misleading or deceptive acts or representations. They should refrain from any action that would hinder or disrupt the fair and orderly functioning of the market.*

*They should not spread groundless or false information about listed issuers and refrain from any activities designed to mislead others about the true state of the market. Therefore, consideration should be given to outlawing specific manipulative practices, such as trades that involve no change of beneficial ownership or trades that give a false appearance of activity.*

*Although manipulation of prices (including insider dealing) may be prohibited by statutory law as well as exchange rules, specific trading strategies may not be interdicted. In permitting new trading strategies, stock markets should take into consideration the integrity of their pricing mechanisms, provided, however, that such consideration should not be an excuse for anti-competitive decision-making.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE OPERATIONS DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

## 12.b Business Conduct – Diligence

### b. Diligence

*The diligence required in effecting securities transactions is best execution of customer orders. This involves executing agency orders promptly, and if a market order, at the best available price. Charges should be an agreed upon, or else be based on a customary, commission that is fully disclosed. Diligence also involves executing net trades or principal orders at a price closely related to the market price, especially where off-market trading is permitted and disclosing, as may be appropriate to the marketplace, the basis of the mark up or mark down to the customer. Whether the firm is acting in its capacity as principal or agent should also be disclosed to customers.*

*Recommendations by market participants or their employees to customers as to the purchase or sale of securities should be based on adequate and reliable information about the issuer and the nature of the financial instrument. An underwriter should exercise due diligence with regard to an issuer's business affairs and financial condition when preparing an offering.*

*Where an involuntary sale of a customer's securities must be made (due to an unanswered margin call or for other reasons), the market participant should conduct that sale with skill and due care to follow market pricing.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE OPERATIONS DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

**12.c Business Conduct – Capabilities**

**c. Capabilities**

*Consideration should be given to what qualifications Exchanges should impose for membership, and for the qualifications of employees. At the very least, individual market participants or their employees should be fit and proper persons without any record of dishonest or seriously fraudulent activities. Professional training should be expected and competence appropriate to a person's professional position should be demonstrated.*

*Exchanges should have financial responsibility rules for market participants. Market participants should adhere to such rules in a manner that does not jeopardise customer funds or securities held as custodian or the ability of a market participant to complete transactions with other market participants. Market participants should be required to monitor and calculate their financial position with sufficient frequency to remain in compliance with market rules on capital adequacy and solvency.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE OPERATIONS DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

**12.d Business Conduct – Information about Customers**

**d. Information about Customers**

*This principle should embrace not only the requirement to obtain such information as may be necessary to recommend suitable investments to a customer, but Exchanges may wish to specify the type of the documentation to fulfil such a requirement. This is particularly important where the client has a fiduciary role, for example, a trust or estate or pension fund.*

*Circumstances under which firms exercise discretionary trading powers should be defined, and it should be made explicit that such trading gives rise to other special fiduciary obligations.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE OPERATIONS DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

**12.e Business Conduct – Information about Customers****e. Information for Customers**

*A confirmation of each transaction should be sent to customers, including note of such information as may be appropriate to confirm fair dealing. There should be disclosure of such facts as may impair a firm's independence in its dealings with customers. Market participants should keep and maintain a detailed record of each trade, in order to be able to respond to customers or the Exchange concerning best execution.*

*A market participant should disclose its financial condition to customers upon request*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE OPERATIONS DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

**12.f Business Conduct – Conflicts of Interest****f. Conflicts of Interest**

*The increased complexity and sophistication of the securities business, along with the deregulation of the industry, has led to more numerous conflict of interest situations. Conflicts need to be managed in such a way that customers are not at a disadvantage. The most common conflicts include those between a market participant's investment banking, trading, research, mergers and acquisitions advisory business, and lending activities. Where feasible, conflicts should be managed by obtaining the informed consent of customers to a transaction. In addition, the management of conflicts may be ameliorated by the creation of appropriate Chinese walls.*

*Market participants should be especially sensitive to the conflicts that may exist between their trading activities and other commercial operations.*

*Recommendations to customers must be based on the interests of customers and not be made to increase or reduce a market participant's trading position. Market participants and their employees cannot be permitted to effect trades for their own accounts ahead of customers' orders.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE OPERATIONS DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

## 12.g Business Conduct – Conflicts of Interest

### **g. Compliance**

*Market participants should ensure that their partners or officers and directors are sufficiently active in the affairs of the firm to demonstrate their compliance with statutory and self-regulatory obligations. Firms should develop systems for the supervision of accounts of employees and compliance with applicable regulations. Rules of conduct for Exchange staff members as well as employees from market participants should be formulated. A system for reporting of employee securities transactions should be put in place by Exchanges and market participants.*

*Such a system should include the need for prior consent by market participants for employees to maintain accounts of any other market participant.*

*Market participants should keep accurate and detailed records and ensure that all reports to be made are honest. Market participants should conform to the just and equitable principles of conduct embodied in exchange rules and commonly practiced in the marketplaces in which they conduct business.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE OPERATIONS DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

## 13. Transparency

### **a. Statistics**

*The market should have a statistics function which allows it to gain insights into the trading activity, activity on the primary market, indices, etc. The methodology used in compiling the statistics should be clearly explained. and diligence, in the best interests of its customers and the integrity of the market.*

In most Exchanges the Operations Department has the responsibility to maintain Market Statistics. In the event that the ASE Operations Department does have such a responsibility please state what Market Statistics are maintained by the ASE Operations Department and under which Articles of the ASE's By-Laws and Directives are the statistics maintain and related to.

### Examples

Directives on Disclosure Related  
to  
Amman Stock Exchange Issued by virtue of the provisions of Article 26 (c & d) of the Securities Law No. 23 of 1997

**(NOTE: Information is based on the old By-Laws  
please be sure that any information provided  
is from the current By-Laws)**

#### Article 3:

A. The Stock Exchange must disclose the following information:

- 1) Names of issuers of securities listed on the Stock Exchange.
- 2) Names of issuers of securities suspended from trading.
- 3) Names and addresses of the Stock Exchange members.
- 4) Names of the Stock Exchange members barred from practicing.
- 5) Names of the certified financial professionals licensed to trade on the Stock Exchange.
- 6) Daily, weekly, monthly and annual data, which cover each company's trading, as well as the sector movements, in terms of number of traded shares, volume of trading, number of contracts, prices, indices and key financial indicators.
- 8) Information and data coming to the Stock Exchange, which have an influence on the prices of securities, and the trading flow.

B. The public may have access to and may make copies of, against consideration, the information and data mentioned in sub-paragraph A of this Article.

**NOTE:** Please provide a list of any statistical information the ASE Operations Department maintains. It is not required to provide detailed as to the nature of the statistics although members of the ASE Operations Department may provide brief notations clarifying the information.

### 13.b Transparency – Market Information

#### b. Market Information

*The Exchange should have systems and procedures in place assuring that important information related to listed companies and of a price-sensitive nature be distributed as soon as possible to all market participants. Pre- and post-trade information should be available for market participants and supervisors. Selected market data should be available to the public, either through the traditional media or using modern communication tools.*



In many Exchanges the Operations Department is responsible for distributing information to Exchange members. If the ASE Operations Department has any such responsibilities please provide a brief description of these responsibilities and connect the responsibilities to the appropriate ASE By-Laws and Directives.

### 13.c Transparency – Trading

#### c. Trading

*The trading methodology should be transparent, in accordance with principles of fairness and equality and principles for the protection of investors. Principles like "time/price" priority, equitability and integrity must be adhered to.*

*The trading activity should be checked constantly by audit trails, stock watch systems, etc. on a real-time basis if possible. Investors should have access to public data, in order to verify that their orders were executed at a fair price. A firm should try to avoid conflicts of interest, and when they cannot be avoided, should ensure that its customers are fairly treated.*

Please provide a description of the roles and responsibilities of the ASE Operations Department in:

- Providing Transaction Audit Trails
- Price Volatility Monitoring, i.e. unusual movements in share prices
- Issues experiencing unusual trading activity

In the event that the above tasks are performed by the ASE IT Systems then please so state.

### 14. Foreign Investment

*In the event that foreign investors are not allowed to trade domestic securities, and domestic investors are unable to trade foreign securities, a time plan should exist for the abolition of existing restrictions, including the authorities concerned. There should be no approval needed for foreign investment ; no inward or outward foreign exchange remittance restrictions that cause delays; no special classes of shares for foreign investors; no or minimal restrictions on the foreign ownership of home market securities.*

*The entire financial market must observe banking and other financial rules and regulations that exist for the prevention of money laundering and similar misuse of the financial markets to the detriment of their integrity and honesty.*



**THERE IS NO INFORMATION REQUIRED FROM THE ASE OPERATIONS DEPARTMENT RELATED TO THIS WFE REQUIREMENT**

### **15. Compliance with the Federation Recommendations**

*Members and candidates for membership of World Federation of Exchanges are obligated to bring their business operations in line with these recommendations as rapidly as is feasible, and to assure that they remain in line or become even better.*

**THERE IS NO INFORMATION REQUIRED FROM THE ASE OPERATIONS DEPARTMENT RELATED TO THIS WFE REQUIREMENT**



**WORLD FEDERATION OF EXCHANGES**

**AMMAN STOCK EXCHANGE**

**MEMBERSHIP APPLICATION**



**COMPLIANCE WITH WFE  
MARKET PRINCIPLES 2002**



**QUESTIONNAIRE**

**June 2004**

## FORWARD

It is the intention of the Amman Stock Exchange (ASE) to apply for Full Membership in the World Federation of Exchanges (WFE), formerly the *Federation Internationale des Bourses de Valeurs (FIBV)*.

In order to obtain Full Membership in the WFE it is required that the ASE submit an application supporting the compliance of the ASE, and related capital market institutions in Jordan, with the WFE Market Principles 2002 (WFE Principles).

The ASE is requesting the assistance of the Jordan Securities Commission (JSC) in completing the ASE's application for Full Membership in the WFE. Information required by the ASE in order to document compliance with the WFE Principles includes, in part, information related to the JSC and its key role as the regulator of the securities market in Jordan.

It is requested that the JSC assist the ASE by providing information requested in this questionnaire. The information requested in the questionnaire represents a critical component in the ASE's application process and as such the assistance provided by the JSC in completing the questionnaire is greatly appreciated.

## **Questionnaire Structure & Methodology**

The questionnaire is based on the WFE Market Principles (WFE Principles) 2002 (copy attached). The WFE Principles consist of 15 major best practices components with many of the primary components divided into sub-components.

In the interest of completeness and consistency the questionnaire includes all 15 of the WFE Principles and sub-components even though a portion of the WFE Principles' components and sub-components do not apply directly to the JSC and do not require a response from the JSC. The components and sub-components of the questionnaire that may not apply directly to the JSC are clearly noted as such. However, the JSC may comment on and/or provide information on any of the questionnaire's components or sub-components where, in the opinion of the JSC, such information is required.

The questionnaire contains all of the WFE Principles, including primary components and sub-components, and it is requested that the JSC provide specific Articles from the Securities Law (*The Securities Law No. (76) for the Year 2002*) and specific Directives from the Regulations of the JSC to support compliance with the WFE Principles.

In order to provide some assistance in completing the questionnaire many of the primary component and sub-component sections contain examples of Articles from the Securities Law and from the JSC Regulations that could be cited as evidence of compliance with the WFE Principles.

The ASE is being assisted in the completion of the WFE Application by a capital markets consultant, Mr. Eugene Callan, provided by the USAID-funded AMIR Project. In the event that questions arise during the completion of the questionnaire or clarification is required as to any items included in the questionnaire, Mr. Callan will, at the request of the JSC, provide any information and/or clarification that may be required. Mr. Callan may be contacted by telephone at the ASE (extension 1200) or at the AMIR Project Office, through Mrs. Elham Mousa, telephone number 550-3050.

## 1. Purpose

*The World Federation of Exchanges Market Structure Best Practices as set out here provides guidance as to the minimum level of organisation, regulation and supervision a securities market needs to have in order to qualify as organised market. They also serve as a checklist for those securities markets wishing to become a member of the World Federation of Exchanges. Whilst the paper serves as the basis of preparing an application for membership, members are reminded that they need to maintain them on a continuous basis, and be subject to disclosure and monitoring as agreed at the 1997 General Assembly.*

*Exchanges should be aware of, and will have to be responsive to, the directives and concerns of relevant self-regulatory and government authorities which have jurisdiction over them. They must ensure to the full extent of their authority the compliance of market users with the requirements of the market and of its applicable laws, rules and regulations.*

This WFE Principle is intended for general introductory purposes and as such does not require a specific response demonstrating compliance.

**A RESPONSE BY THE JORDAN SECURITIES COMMISSION IS NOT REQUIRED FOR THIS COMPONENT.**

## 2. Organization and Operations

*Exchanges should have available and maintain adequate organisational infrastructure and operational resources to enable them to offer the proper tools for trading in securities.*

Listed, below, are some sample Articles from the Securities Law that may be used to document the ASE's legally mandated organizational structure and operational resources.

Please provide any additional Articles from the Securities Law that provide similar support documentation:

### **Examples**

The Securities Law  
(Temporary Law No.(76) for the Year 2002  
Chapter 7 The Stock Exchange

**Article (65)**

A- A Stock Exchange known as the Amman Stock Exchange shall be established in the Kingdom, and shall have a legal personality with financial and administrative autonomy. As such, it may acquire and dispose of movable and immovable property to achieve its objectives, carry out all legal acts, enter into contracts and shall have the right to sue and be sued and to authorize any attorney to act on its behalf in legal proceedings.

B- The membership of the Amman Stock Exchange shall consist of Financial Brokers and Dealers and any other entities designated by the Board. Its general assembly shall consist of members who have paid their subscription and annual membership fees, whereby each member of the general assembly shall have one vote in the general assembly's meetings.

C- The Amman Stock Exchange shall be managed by a board of directors and a full-time executive manager. The rules and procedures governing the Amman Stock Exchange's general assembly, the formation of its board of directors, the manner of convening its meetings, and of adopting decisions therein, the responsibilities and authority ascribed respectively to the general assembly, the board of directors, the executive manager, together with the procedures for dissolving and liquidating the Amman Stock Exchange and any other administrative and financial matters pertaining thereto, shall be governed by the Amman Stock Exchange's by-laws and instructions issued for this purpose.

D- The executive manager of the Amman Stock Exchange shall be appointed by a decision of the board of directors, subject to Board approval. The person so appointed shall not hold any other job nor be a partner, shareholder or representative of any Licensed Person.

E- The chairman or deputy chairman of the board of directors of the Amman Stock Exchange shall not be a partner, a member of the board of directors, a member of the executive board, an employee or a representative of any member of the Stock Exchange.

F- Upon approval of the Board, the Amman Stock Exchange may borrow or carry out profit-making activities, provided that any such activity shall not affect adversely trading activities at the Amman Stock Exchange.

G- The Amman Stock Exchange shall be subject to monitoring, supervision and inspection by the Commission, which may also audit the Amman Stock Exchange's registers.

H- The Amman Stock Exchange may be restructured by a decision of the Board, upon approval of the Council of Ministers, subject to the provisions of Article (67) of this Law. The Council of Ministers shall determine the entity upon which the Amman Stock Exchange's assets and obligations shall devolve.

**Article (66)**

A- Any deficit in the revenue and expenditures account of the Amman Stock Exchange for any fiscal year shall be covered from the general reserves. If the general reserves are insufficient to cover the deficit, it shall be covered by equal payments from the Amman Stock Exchange's members, which payments shall be credited for members against net future revenues.

B- Notwithstanding what is stated in Paragraph (A) of this Article, the Amman Stock Exchange board of directors may, subject to Board approval, borrow the amounts needed to cover part or all of the deficit.

**2.a Legal Status**

*The exchange should have the legal status of a recognized securities market in the country in which it is domiciled. A national securities law should be enacted covering the exchange(s), its powers and obligations.*

The purpose of this component of the WFE Principle 2 is to document the existence of a National Securities Law and the legal status of a Stock Exchange under such a Law.

The ASE Legal Department has been requested to provide a brief history of securities legislation in Jordan leading up to the enactment of the Securities Law of 2002.

It is requested that the JSC provide specific Articles in the Securities Law of 2002 that recognize the legal existence of a Securities Exchange. The samples, below, may be sufficient to meet the requirements of this section of the questionnaire. However, it is requested that based on its experience the JSC provide any additional Articles that would increase the level of documentation.

**Examples**

The Securities Law  
(Temporary Law No.(76) for the Year 2002  
Chapter 7 The Stock Exchange

**Article (1)**

This Law shall be known as (The Securities Law for the Year 2002), and shall come into effect as of the date of its publication in the Official Gazette.

**Article (65)**

A- A Stock Exchange known as the Amman Stock Exchange shall be established in the Kingdom, and shall have a legal personality with financial and administrative autonomy. As such, it may acquire and dispose of movable and immovable property to achieve its objectives, carry out all legal acts, enter into contracts and shall have the right to sue and be sued and to authorize any attorney to act on its behalf in legal proceedings.

G- The Amman Stock Exchange shall be subject to monitoring, supervision and inspection by the Commission, which may also audit the Amman Stock Exchange's registers.

**Article (67)**

A- 1. A Trading Market in Securities shall be licensed as a Stock Exchange in accordance with the provisions of this Law and the instructions issued by the Board in this regard.

2. An application to license a Trading Market in Securities as a Stock Exchange shall be filed with the Commission, and shall have enclosed therewith its by-laws and instructions governing its activities and such other information and documents as the Board may deem necessary or appropriate for the protection of investors or in the public interest.

B- A Trading Market in Securities shall not be licensed as a Stock Exchange unless the Board determines that such a Trading Market is organized and has the capacity to enforce compliance by its members and persons associated with its members with the provisions of this Law and the regulations, instructions and decisions issued pursuant thereto, and with its own by-laws and instructions.

**Article (69)**

A- A Financial Broker or Dealer shall not trade in securities of a Public Issuer except on a stock exchange, unless such a security is exempt from this condition by the Board.

B- Trading on the Market shall be carried out only through trading contracts between Brokers, either on behalf of clients or for their own account. The contracts shall be recorded in the Market registers in accordance with the Market by-laws and instructions, which shall be binding upon all parties to the trading.

C- The entry records of the Market registers and accounts, whether manual or electronic, as well as any document issued by the Market pursuant thereto, shall constitute *prima facie* legal evidence of the trade and date stated therein unless proven otherwise .

**2.b Statutes**

*The exchange should have properly drafted Statutes, at a minimum covering its governance, the composition of the governing body, indications for constituents from which council members are appointed/elected, its mission, and its rules and regulations.*

The purpose of this component of the WFE Principle 2 is to demonstrate that a Stock Exchange, by Law and/or Internal By-Laws & Directives, is required to have properly drafted Statutes covering its business structure and general corporate governance.



It is requested that the JSC provide specific Articles in the Securities Law of 2002 that require a licensed Stock Exchange to have properly drafted Statutes to support its business structure and corporate governance. The samples, below, may be sufficient to meet the requirements of this section of the questionnaire. However, it is requested that based on its experience the JSC provide any additional Articles that would increase the level of documentation.

### **Examples**

The Securities Law  
(Temporary Law No.(76) for the Year 2002  
Chapter 7 The Stock Exchange

#### **Article (65)**

B- The membership of the Amman Stock Exchange shall consist of Financial Brokers and Dealers and any other entities designated by the Board. Its general assembly shall consist of members who have paid their subscription and annual membership fees, whereby each member of the general assembly shall have one vote in the general assembly's meetings.

C- The Amman Stock Exchange shall be managed by a board of directors and a full-time executive manager. The rules and procedures governing the Amman Stock Exchange's general assembly, the formation of its board of directors, the manner of convening its meetings, and of adopting decisions therein, the responsibilities and authority ascribed respectively to the general assembly, the board of directors, the executive manager, together with the procedures for dissolving and liquidating the Amman Stock Exchange and any other administrative and financial matters pertaining thereto, shall be governed by the Amman Stock Exchange's by-laws and instructions issued for this purpose.

D- The executive manager of the Amman Stock Exchange shall be appointed by a decision of the board of directors, subject to Board approval. The person so appointed shall not hold any other job nor be a partner, shareholder or representative of any Licensed Person.

#### **Article (67)**

- A- 1. A Trading Market in Securities shall be licensed as a Stock Exchange in accordance with the provisions of this Law and the instructions issued by the Board in this regard.
2. An application to license a Trading Market in Securities as a Stock Exchange shall be filed with the Commission, and shall have enclosed therewith its by-laws and instructions governing its activities and such other information and documents as the Board may deem necessary or appropriate for the protection of investors or in the public interest.

B- A Trading Market in Securities shall not be licensed as a Stock Exchange unless the Board determines that such a Trading Market is organized and has the capacity to enforce compliance by its members and persons associated with its members with the provisions of this Law and the regulations, instructions and decisions issued pursuant thereto, and with its own by-laws and instructions.

C- The by-laws and instructions of a Trading Market in Securities shall provide for the following:

1. Charging its members, Issuers and other persons using its facilities any fees and charges in a fair and reasonable manner;
2. Ensuring fairness, efficiency and transparency and preventing fraud, Deception and Prohibited Acts, fostering cooperation and coordination with entities working in the capital market and protecting investors;
3. Laying down fair principles for any differentiation between clients, Issuers, Financial Brokers or Dealers;
4. Imposing disciplinary sanctions upon its members and persons associated therewith for violation of the provisions of this Law and the regulations, instructions and decisions issued pursuant thereto and the provisions of the by-laws and instructions of the Trading Market in Securities;
5. Applying equitable and fair trading procedures;
6. Barring any unjustified or inadequate restraints on competition;
7. Establishing standards of training, experience and administrative competence for its members and persons employed by such members, and disciplinary measures against those who do not satisfy such;
8. Assuring the financial adequacy of its members and for monitoring such.

**Article (70)**

A- The Market may stipulate membership requirements and conditions, and may refuse the application of any person to become a member or bar him from being employed by a member, if such a person does not meet the standards of training, experience, and competence prescribed by the Market's by-laws and instructions, or if he commits a violation of the provisions of this Law and the regulations, instructions and decisions issued pursuant thereto.

B- In taking any of the measures stated in Paragraph (A) of this Article, the Market shall give the said person opportunity to be heard, record the minutes of investigation, and provide cause for any decision it takes in this regard.

## 2.c Market Participants

*The requirements for market participants should cover: objective qualifications, experience, structure, capital adequacy rules, disciplinary issues, and rights and obligations. Foreign market participants should normally be allowed, adopting mutual recognition of World Federation of Exchanges member market participants. Traders should be authorized to act only at the end of a structured training process and after having passed a qualifying exam.*

This component of WFE Principle 2 requires documentation as to the requirements of a Stock Exchange under a Securities Law and/or Internal By-Laws and Directives to require its participants to meet objective, professional experience standards and levels of capital adequacy. This component also requires documentation that a Stock Exchange is required by Law, Rule, Regulation and/or Internal By-Laws and Directives to establish and enforce disciplinary procedures as well as the rights and obligations of its members.

**NOTE:** *The WFE places a strong emphasis on the participation of foreign investors in a domestic market and requires documentation as to the existence of restrictions placed on a market's foreign participants or documentation as to the lack of restrictions placed on foreign participants in a domestic market. It is requested that the JSC provide documentation as to restrictions or the lack of restrictions applicable to foreign participants in the Jordanian capital market.*

### Examples

The Securities Law  
Temporary Law No. 76 for the Year 2002  
Chapter 7 The Stock Exchange

#### Article (67)

B- A Trading Market in Securities shall not be licensed as a Stock Exchange unless the Board determines that such a Trading Market is organized and has the capacity to enforce compliance by its members and persons associated with its members with the provisions of this Law and the regulations, instructions and decisions issued pursuant thereto, and with its own by-laws and instructions.

C- The by-laws and instructions of a Trading Market in Securities shall provide for the following:

2. Ensuring fairness, efficiency and transparency and preventing fraud, Deception and Prohibited Acts, fostering cooperation and coordination with entities working in the capital market and protecting investors;
3. Laying down fair principles for any differentiation between clients, Issuers, Financial Brokers or Dealers;
4. Imposing disciplinary sanctions upon its members and persons associated therewith for violation of the provisions of this Law and the regulations, instructions and decisions issued pursuant thereto and the provisions of the by-laws and instructions of the Trading Market in Securities;
5. Applying equitable and fair trading procedures;
6. Barring any unjustified or inadequate restraints on competition;
7. Establishing standards of training, experience and administrative competence for its members and persons employed by such members, and disciplinary measures against those who do not satisfy such;
8. Assuring the financial adequacy of its members and for monitoring such.

## 2.d Monitoring of Market Participants

*On an on-going basis, the exchange should have infrastructure in place for the supervision for which it has responsibility, indicating the frequency of monitoring, the scope of its authority, actions to be taken in case of non-compliance, etc. The financial and trade reporting obligations of market participants should have their formal basis here. The exchange's oversight should encompass capital adequacy, position limits, collateral quantity and quality, internal compliance rules, market conduct and behaviour, etc.*

The first portion of the response will be supplied by the ASE Legal Department.

The second portion of this response, referring to oversight of Capital Adequacy and Collateral Quantity & Quality should be addressed by the JSC.

It is requested that the JSC provide specific Articles from the Securities Law of 2002 and Articles from the Commission's Rules and Regulations that address the issues of Capital Adequacy and Collateral Quantity and Quality. The samples, below, may be sufficient to meet the requirements of this section of the questionnaire. However, it is requested that based on its experience the JSC provide any additional Articles from the Securities Law and/or the Commissions Rules and Regulations that would increase the level of documentation.

**Examples**

The Securities Law  
Temporary Law No. 76 for the Year 2002  
Chapter 7 The Stock Exchange

**Article (67)**

- A- 1. A Trading Market in Securities shall be licensed as a Stock Exchange in accordance with the provisions of this Law and the instructions issued by the Board in this regard.
2. An application to license a Trading Market in Securities as a Stock Exchange shall be filed with the Commission, and shall have enclosed therewith its by-laws and instructions governing its activities and such other information and documents as the Board may deem necessary or appropriate for the protection of investors or in the public interest.

B- A Trading Market in Securities shall not be licensed as a Stock Exchange unless the Board determines that such a Trading Market is organized and has the capacity to enforce compliance by its members and persons associated with its members with the provisions of this Law and the regulations, instructions and decisions issued pursuant thereto, and with its own by-laws and instructions.

C- The by-laws and instructions of a Trading Market in Securities shall provide for the following:

4. Imposing disciplinary sanctions upon its members and persons associated therewith for violation of the provisions of this Law and the regulations, instructions and decisions issued pursuant thereto and the provisions of the by-laws and instructions of the Trading Market in Securities;
7. Establishing standards of training, experience and administrative competence for its members and persons employed by such members, and disciplinary measures against those who do not satisfy such;
8. Assuring the financial adequacy of its members and for monitoring such.

The Securities Law  
Temporary Law No. 76 for the Year 2002  
Chapter 6 Licensing, Registration and Monitoring

**Article (47)**

A- Unless licensed by the Board in accordance with instructions issued thereby, no person may engage in business as:

1. Financial Broker;
2. Dealer;
3. Investment Trustee;
4. Investment Manager;
5. Financial Advisor;
6. Underwriter,
7. Financial Services Company;
8. Custodian;
9. Any other activities relating to securities determined by the Board.

**Article (50)**

The Board may require the Licensed Person to provide unconditional bank guarantees or any other acceptable guarantees so as to secure the Licensed Person's obligations to its clients dealing in securities and ensure its compliance with the provisions of this Law and the regulations, instructions and decisions issued pursuant thereto. The Board may liquidate the guarantees and dispose of the guarantees as it deems appropriate.

**Article (60)**

A- The Board may deny, suspend or revoke the license or registration of any person, as the case may be, if after notice and hearing it finds that this person has carried out any of the following:

1. violated any provision of this Law or the regulations, instructions or decisions issued pursuant thereto;
2. filed false information in the application for license or registration;
3. committed a Prohibited Act;
4. demonstrated incompetence to transact business as a Licensed or Registered Person.

B- In cases of charges against a Registered Person, notice thereof shall also be given to the person employing the Registered Person.

C- Pending the hearing, the Board may suspend the license or registration, provided it states the cause for such suspension.

Jordan Securities Commission – Rules and Regulation

Directives of Licensing a Financial Services Company and  
Certified  
Financial Professionals  
Chapter 1 (Financial Services Companies)

**Article (3)**

- a. The term financial services company shall mean a company licensed by the Commission to practice one or more of the following activities:
  - 1. Investment trusteeship.
  - 2. Investment management.
  - 3. Financial advisory.
  - 4. Financial brokerage.
  - 5. Depository services.
  - 6. Management of primary issues.
  - 7. Any other activities specified by the Board.
- b. The activities listed in Paragraph (a) of this Article may only be practiced by licensed financial services companies.
- c. Financial services companies may practice the activities (1-4) listed in Paragraph (a) of this Article only through certified financial professionals licensed by the Commission to practice such activities.

**Article (5)**

Granting licenses to practice any of the activities of financial services companies or renewals thereof shall be subject to the following conditions:

- a. The license applicant shall be a Public Shareholding Company, a Limited Liability Company or a Limited Partnership in Shares Company.
- b. If the license applicant is a bank, the license shall be granted provided practice is through a subsidiary or affiliate company, or through separate accounts.

The minimum paid capital of the company for each requested activity shall be as follows:

- 1. Investment trusteeship 250,000 JD.

2. Investment management 500,000 JD.
  3. Financial advisory 30,000 JD.
  4. Financial brokerage
    - A. Brokerage for commission only
    - B. Brokerage for commission and dealing in securities for own account 250,000 JD. 500,000 JD.
  5. Depository services 1,000,000 JD.
  6. Management of primary issues
    - A. Issue manager
    - B. Underwriter 100,000 JD. 5,000,000 JD.
- d. If a company practices two or more of the activities of financial services companies, its minimum capital requirement shall be equal to the sum of the minimum capital requirements of each of the activities it practices, in accordance with the provisions of Paragraph (b) [sic] of this Article.
- e. The company's management shall have the requisite experience and qualification to carry out the company's activities in accordance with the provisions of these Instructions and any instructions issued by the Board.
- f. The company shall submit a bank guarantee to the order of the Commission in the amount specified by the Board, provided the amount of the guarantee for each activity shall not exceed the following:
1. Investment trusteeship 100,000 JD.
  2. Investment management 250,000 JD.
  3. Financial advisory 10,000 JD.
  4. Financial brokerage 150,000 JD.
  5. Depository services 250,000 JD.
  6. Management of primary issues:
    - A. Issue manager 50,000 JD.
    - B. Underwriter 500,000 JD.



- g. The guarantees shall be a surety against the obligations of the companies against others, and so as to ensure compliance with the legislation in force.
- h. The licensing fees and the annual licensing renewal fees are paid in accordance with the issued regulations and instructions.

**Article (12)**

The company shall inform the Commission within seven days from the date of occurrence of any of the following:

- a. Changes in the company's address in the Kingdom or of in the address of any of its branches.
- b. Changes in the name of any shareholder who own (5%) or more of the company's capital.
- c. Changing the chairman, or any member of the Board of Directors or any senior executive manager, provided grounds are stated if any of the aforementioned resigns, is terminated, ceases to work, or changes positions.
- d. Appointing or terminating any certified financial professional, provided the grounds for termination are stated.
- e. Establishing or closing any branch of the company within and outside the Kingdom, and the name and address of the branch's manager.
- f. Change of manager or address of any branch of the company.

**Article (27)**

If it becomes evident to the Commission that the company faces problems that constitute a threat to the stability of the capital market, shareholders interests, or the interests of those dealing with it, or that it has ceased to fulfill any of the licensing conditions stated in Article (5) of these Instructions, the Commission, after allowing the company to be heard and to present its defense, may take any of the following measures:

- a. Serve the company with a warning;
- b. Request the Chairman of the Company's Board of Directors or the Chairman of the Company's Directors' Committee, as the case may be, to summon a special Board meeting to look into violations attributed to the Company and to take the necessary measures to rectify such violations. Such meeting shall be attended by one or more of the Commission's representatives in an observer capacity.
- c. Prohibit the company from practicing all or some of the licensed activities.

- d. Appoint at the Company's Board of Directors or Directors' Committee as the case may be, for a period set by the Commission, an observer member, who shall be entitled to participate in the Board's deliberations without voting, and to record in the minutes of the meeting his points of view of the decisions adopted therein.
- e. Require the company to increase the guarantee or guarantees submitted by it in the amounts deemed appropriate by the Commission.
- f. Liquidate the submitted guarantees.
- g. Suspend the company from operating for the period deemed appropriate by the Commission.
- h. Cancel the company's licensing.

## 2.e Organisational Structure

*The organisational structure of the exchange should be formal and allow for the correct management of financial market operations. The staff of the exchange needs to be fit and properly qualified for the job. A formalised human resources activity should be established to attract and keep professional staff, avoiding the risk to operations from high turnover.*

The majority of documentation required for this component of the WFE Principle 2 will be provided by the ASE Legal Department and the ASE Human Resources area.

It is requested that the JSC provide specific Articles from the Securities Law of 2002 and Articles from the Commission's Rules and Regulations that address the issue of a Stock Exchange being required to have a formalized organizational structure and procedures for the management of the Stock Exchange's financial affairs.

The samples, below, may be sufficient to meet the requirements of this section of the questionnaire. However, it is requested that based on its experience the JSC provide any additional Articles from the Securities Law and/or the Commissions Rules and Regulations that would increase the level of documentation.

### **Examples**

The Securities Law  
Temporary Law No. 76 for the Year 2002  
Chapter 7 The Stock Exchange

**Article (65)**

A- A Stock Exchange known as the Amman Stock Exchange shall be established in the Kingdom, and shall have a legal personality with financial and administrative autonomy. As such, it may acquire and dispose of movable and immovable property to achieve its objectives, carry out all legal acts, enter into contracts and shall have the right to sue and be sued and to authorize any attorney to act on its behalf in legal proceedings.

B- The membership of the Amman Stock Exchange shall consist of Financial Brokers and Dealers and any other entities designated by the Board. Its general assembly shall consist of members who have paid their subscription and annual membership fees, whereby each member of the general assembly shall have one vote in the general assembly's meetings.

C- The Amman Stock Exchange shall be managed by a board of directors and a full-time executive manager. The rules and procedures governing the Amman Stock Exchange's general assembly, the formation of its board of directors, the manner of convening its meetings, and of adopting decisions therein, the responsibilities and authority ascribed respectively to the general assembly, the board of directors, the executive manager, together with the procedures for dissolving and liquidating the Amman Stock Exchange and any other administrative and financial matters pertaining thereto, shall be governed by the Amman Stock Exchange's by-laws and instructions issued for this purpose.

D- The executive manager of the Amman Stock Exchange shall be appointed by a decision of the board of directors, subject to Board approval. The person so appointed shall not hold any other job nor be a partner, shareholder or representative of any Licensed Person.

F- Upon approval of the Board, the Amman Stock Exchange may borrow or carry out profit-making activities, provided that any such activity shall not affect adversely trading activities at the Amman Stock Exchange.

**Article (66)**

A- Any deficit in the revenue and expenditures account of the Amman Stock Exchange for any fiscal year shall be covered from the general reserves. If the general reserves are insufficient to cover the deficit, it shall be covered by equal payments from the Amman Stock Exchange's members, which payments shall be credited for members against net future revenues.

B- Notwithstanding what is stated in Paragraph (A) of this Article, the Amman Stock Exchange board of directors may, subject to Board approval, borrow the amounts needed to cover part or all of the deficit.

**Article (67)**

E- The board of directors of the Market shall appoint a certified auditor to audit the accounts of the Market.

**Article (73)**

A- The by-laws and instructions of the Market, and any amendments or revisions thereto shall be submitted to the Board for approval prior to their being made effective, and the Board may introduce any amendments thereto.

B- The Board may request the Market's board of directors to introduce amendments to its by-laws and instructions as it deems necessary in the public interest and for the protection of investors, and within the period specified in the request. At the expiry of the specified period, the Board may introduce the amendments which it deems appropriate. The amendments shall be effective as of the date set by the Board.

**2.f Regulatory Infrastructure**

*At a minimum, the official exchange rules should include information on: trading, including transparency and reporting, listing, market participation, discipline and sanctions, clearing and settlement, and recourse procedures.*

The majority of documentation required for this component of the WFE Principle 2 will be provided by the ASE Legal Department.

It is requested that the JSC provide specific Articles from the Securities Law of 2002 and Articles from the Commission's Rules and Regulations that address the issue of a Stock Exchange being required to have a formalized operational procedures for the orderly conduct of business in the marketplace and procedural rules dealing with the imposition of disciplinary actions, clearing and settlement and recourse.

The samples, below, may be sufficient to meet the requirements of this section of the questionnaire. However, it is requested that based on its experience the JSC provide any additional Articles from the Securities Law and/or the Commissions Rules and Regulations that would increase the level of documentation.

**Examples**

The Securities Law  
Temporary Law No. 76 for the Year 2002  
Chapter 7 The Stock Exchange

**Article (67)**

A- 1. A Trading Market in Securities shall be licensed as a Stock Exchange in accordance with the provisions of this Law and the instructions issued by the Board in this regard.

C- The by-laws and instructions of a Trading Market in Securities shall provide for the following:

2. Ensuring fairness, efficiency and transparency and preventing fraud, Deception and Prohibited Acts, fostering cooperation and coordination with entities working in the capital market and protecting investors;
4. Imposing disciplinary sanctions upon its members and persons associated therewith for violation of the provisions of this Law and the regulations, instructions and decisions issued pursuant thereto and the provisions of the by-laws and instructions of the Trading Market in Securities;
5. Applying equitable and fair trading procedures;
6. Barring any unjustified or inadequate restraints on competition;

**Article (68)**

A- The Stock Exchange may conduct, or have the Commission conduct on its behalf, such audits and investigations of its members and of trading therein to determine whether its by-laws or instructions, or the provisions of this Law or the regulations, instructions or decisions issued pursuant thereto have been violated. Such investigations shall be conducted in accordance with the instructions set by the Market in a manner that will provide safeguards for the rights of members during the course of investigations.

B - 1. The by-laws and instructions of the Market shall provide that, in the conduct of audits and investigations, authorized employees of the Market are authorized to inspect, and make copies of, the books and records of any Market member, either with or without prior notice, provided such inspection shall be conducted only during customary business hours.

2. Allowing authorized Market employees to carry out the tasks provided for in Subparagraph (1) of this Paragraph shall be a condition for membership in the Market.

C- Any information to which the Market management, employees or counsels have access shall be deemed confidential, and may not be disclosed without Board approval.

D- The Market may, upon justified cause, request the Commission to suspend dealings in any traded securities or to cease the business activity of any member, for the period it deems appropriate.

#### **Article (69)**

A- A Financial Broker or Dealer shall not trade in securities of a Public Issuer except on a stock exchange, unless such a security is exempt from this condition by the Board.

B- Trading on the Market shall be carried out only through trading contracts between Brokers, either on behalf of clients or for their own account. The contracts shall be recorded in the Market registers in accordance with the Market by-laws and instructions, which shall be binding upon all parties to the trading.

C- The entry records of the Market registers and accounts, whether manual or electronic, as well as any document issued by the Market pursuant thereto, shall constitute *prima facie* legal evidence of the trade and date stated therein unless proven otherwise .

#### **Article (70)**

A- The Market may stipulate membership requirements and conditions, and may refuse the application of any person to become a member or bar him from being employed by a member, if such a person does not meet the standards of training, experience, and competence prescribed by the Market's by-laws and instructions, or if he commits a violation of the provisions of this Law and the regulations, instructions and decisions issued pursuant thereto.

B- In taking any of the measures stated in Paragraph (A) of this Article, the Market shall give the said person opportunity to be heard, record the minutes of investigation, and provide cause for any decision it takes in this regard.

C- The Market shall specify the violations by members or persons associated therewith which are subject to disciplinary measures, and shall notify the member or the said person of the charge, provide such member with the opportunity to be heard, and keep minutes of the hearing. A determination by the Market to impose a disciplinary sanction shall include the following:

1. any act or practice which such member or the person associated therewith has been found to have engaged in, or which such member or person has been found to have omitted;

2. the specific provisions of this Law and the regulations, instructions and decisions issued pursuant thereto, and the provisions of the Market by-laws and instructions which the member or the person associated therewith has violated;
3. the investigation's findings, the sanctions imposed and the reasons therefore.

D- Notwithstanding the foregoing provisions of this Article, where the Market determines that a member is in such financial or operating difficulty that the member cannot be permitted to continue to do business without jeopardizing the interests of investors, creditors, other members, or the Market, the Market shall promptly notify the Commission of this. The Market may also, after notice to the Commission, summarily suspend, limit or prohibit the member's access to its services.

E- In the event summary action is taken pursuant to Paragraph (D) of this Article, the Market shall promptly thereafter conduct a hearing at which the member shall be permitted to dispute the Market's decision .

### **2.f.1 Listing Procedures**

#### **Article (72)**

A- Only securities deposited with the Center may be traded in the Market, except where otherwise provided by the Board.

B- Every public shareholding company established in the Kingdom, and every Public Issuer in the Kingdom, is required to apply for listing of its outstanding securities for trading on the Market.

C- No Jordanian Issuer shall list its securities on a stock exchange or trading market in securities outside the Kingdom without the Board's prior approval.

D- The Market shall specify in its by-laws and instructions the different sets of standards and conditions for securities to be admitted to trading or listing. The Market may provide for a distinction between listed securities and those admitted to trading. All securities of an Issuer of the same class and type shall be admitted to trading on the same basis.

E- The by-laws and instructions of the Market pertaining to the admission of securities to trading or listing shall provide that the Issuer is required to enter into binding agreements with both the Market and the Center pursuant to which the respective rights and obligations of the Issuer, the Market and the Center shall be

### **2.f.2 Clearing & Settlement**

The Securities Law  
Temporary Law No. 76 for the Year 2002  
Chapter 8 The Securities Depository Center

**Article (76)**

A Center known as the (Securities Depository Center) shall be established in the Kingdom. The Center shall be a non-profit public utility entity, and shall have a legal personality with administrative and financial autonomy. As such, it may acquire and dispose of movable and immovable property, and perform all legal acts to realize its objectives, including entering into contracts in its own name. The Center shall have the right to sue and be sued, and to appoint any attorney to represent it in legal proceedings.

**Article (77)**

A- The Center shall perform the following functions:

- 1- Register, safe-keep, and transfer ownership of securities;
- 2- Deposit securities;
- 3- Clear and settle securities.

B- The Center shall be the only entity in the Kingdom authorized to perform the functions stipulated in Paragraph (A) of this Article.

**Article (81)**

A- Subject to the provisions of Article (5) of this Law, any Issuer shall register at the Center the securities issued thereby, in accordance with the instructions issued by the Center.

B- The certificates of ownership of securities deposited at the Center shall be cancelled according to the instructions issued by the Center.

C- Registration and transfer of ownership of securities traded on the Market and the price settlements of such securities between Brokers shall be by means of entries in the Center's records.

D- The Center may accept electronic data from its members and from the Market in accordance with its issued by-laws and instructions.

E- Unless otherwise proven, the entry records and the accounts maintained by the Center, whether manually or electronically, as well as any document issued by the Center, shall constitute *prima facie* legal evidence of ownership, registration, transfer of ownership and settlement of the securities, at the price and on the date stated in those records, accounts or documents.



F- If a lien, or other restriction of ownership resulting from a court decision, is imposed on deposited securities, the Center shall fix that restriction in its records on the date of receiving the court decision, unless the ownership of the respective deposited securities has been transferred prior to that date.

G- The respective rights and obligations of the seller of securities, of the purchaser thereof and of third parties thereto shall be established on the date of concluding the contract at the Market.

H- The Center shall document the ownership of the sold securities and shall enter the transfer of their ownership in the Center's records , according to instructions issued thereby.

I- The settlement of the trading contracts of securities deposited in the Center shall be on the basis of Delivery Versus Payment.

## **2. h. Funding of the Organization**

*The financial soundness of exchange should be the result of a sound business plan. It should show a positive track record for at least 3 years.*

*The annual report of the exchange needs to be certified by an independent chartered accountant, in compliance with International Accounting Standards (IAS), if necessary in the Notes to the Accounts or as a separate statement in addition to compliance with any different local standards.*

The majority of information required to document this component of WFE Principle 2 will be supplied by the ASE Legal Department. However, several example Articles from the Securities Law have been provided, below.

The samples provided may be sufficient to meet the requirements of this section of the questionnaire. However, it is requested that based on its experience the JSC provide any additional Articles from the Securities Law and/or the Commissions Rules and Regulations that would increase the level of documentation.

**Examples**

The Securities Law  
Temporary Law No. 76 for the Year 2002  
Chapter 7 The Stock Exchange

**Article (65)**

C- The Amman Stock Exchange shall be managed by a board of directors and a full-time executive manager. The rules and procedures governing the Amman Stock Exchange's general assembly, the formation of its board of directors, the manner of convening its meetings, and of adopting decisions therein, the responsibilities and authority ascribed respectively to the general assembly, the board of directors, the executive manager, together with the procedures for dissolving and liquidating the Amman Stock Exchange and any other administrative and financial matters pertaining thereto, shall be governed by the Amman Stock Exchange's by-laws and instructions issued for this purpose.

F- Upon approval of the Board, the Amman Stock Exchange may borrow or carry out profit-making activities, provided that any such activity shall not affect adversely trading activities at the Amman Stock Exchange.

G- The Amman Stock Exchange shall be subject to monitoring, supervision and inspection by the Commission, which may also audit the Amman Stock Exchange's registers.

**Article (66)**

A- Any deficit in the revenue and expenditures account of the Amman Stock Exchange for any fiscal year shall be covered from the general reserves. If the general reserves are insufficient to cover the deficit, it shall be covered by equal payments from the Amman Stock Exchange's members, which payments shall be credited for members against net future revenues.

B- Notwithstanding what is stated in Paragraph (A) of this Article, the Amman Stock Exchange board of directors may, subject to Board approval, borrow the amounts needed to cover part or all of the deficit.

**Article (76)**

E- The board of directors of the Market shall appoint a certified auditor to audit the accounts of the Market.

### 3. Access to the Market

*The market should be designed to operate in a manner equitable to all who access it. Any differences in treatment among users, regardless of the means of access (electronic or other) must not be tolerated. Access to the market should not be arbitrarily granted, and no discrimination should be shown.*

The majority of information required to document this component of WFE Principle 2 will be supplied by the ASE Legal Department. However, several example Articles from the Securities Law have been provided, below, to document the ASE's authority under the Securities Law to establish and enforce membership qualifications and access to the market.

The samples provided should be sufficient to meet the JSC's requirements for this section of the questionnaire. However, it is requested that based on its experience the JSC provide any additional Articles from the Securities Law and/or the Commissions Rules and Regulations that would increase the level of documentation related to the ASE's authority, under its Internal By-Laws and Directives, to grant access to the market.

#### **Examples**

The Securities Law  
Temporary Law No. 76 for the Year 2002  
Chapter 7 The Stock Exchange

#### **Article (65)**

B- The membership of the Amman Stock Exchange shall consist of Financial Brokers and Dealers and any other entities designated by the Board. Its general assembly shall consist of members who have paid their subscription and annual membership fees, whereby each member of the general assembly shall have one vote in the general assembly's meetings.

#### **Article (67)**

C. The by-laws and instructions of a Trading Market in Securities shall provide for the following:

7. Establishing standards of training, experience and administrative competence for its members and persons employed by such members, and disciplinary measures against those who do not satisfy such;
8. Assuring the financial adequacy of its members and for monitoring such.

**Article (70)**

A- The Market may stipulate membership requirements and conditions, and may refuse the application of any person to become a member or bar him from being employed by a member, if such a person does not meet the standards of training, experience, and competence prescribed by the Market's by-laws and instructions, or if he commits a violation of the provisions of this Law and the regulations, instructions and decisions issued pursuant thereto.

B- In taking any of the measures stated in Paragraph (A) of this Article, the Market shall give the said person opportunity to be heard, record the minutes of investigation, and provide cause for any decision it takes in this regard.

**Article (71)**

A- The by-laws and instructions of the Market shall be legally binding upon the members and their clients .

B- A member shall sign a written commitment upon becoming a member of the Market pursuant to which he undertakes to comply with the Market's by-laws and instructions.

**4. Listing of and Disclosure on Traded Financial Products*****Exchanges should require:***

- *that listed companies be of an adequate size and have sufficient shares in hands of the public to safeguard an orderly and fair market;*
- *timely, and the widest possible disclosure of business and financial information materially affecting listed companies;*
- *regular disclosure of financial information by listed companies; and,*
- *disclosure to investors of the nature, risk and investment potential inherent in the traded financial products.*

A portion of the documentation required by this WFE Principle will be supplied by the ASE legal Department and the ASE Listing Department.

There are, however, portions of the documentation required that are covered by the Jordan Securities Commission – Rules and Regulations, especially those requirements governing the registration and issuance of shares by a Public Company.

The samples provided may be sufficient to meet the JSC's requirements for this section of the questionnaire. However, it is requested that based on its experience the JSC provide any additional Articles from the Securities Law and/or the Commissions Rules and Regulations that would increase the level of documentation related to the registration and issuance of securities issues, in particular requirements:

- that listed companies be of an adequate size and have sufficient shares in hands of the public to safeguard an orderly and fair market;
- timely, and the widest possible disclosure of business and financial information materially affecting listed companies;
- regular disclosure of financial information by listed companies; and
- disclosure to investors of the nature, risk and investment potential inherent in the traded financial products.

#### **4.a.1 Listed Companies – Public Float**

This component of WFE Principle 4 requires "...that listed companies be of an adequate size and have sufficient shares in hands of the public to safeguard an orderly and fair market."

**NOTE:** Many of the portions of the Jordan Securities Commission – Rules and Regulations included in the samples, below, references the old Securities Law (Securities Law No. (23) for the year 1997). In providing the WFE with documentation it is extremely important for the purposes of accuracy, timeliness and consistency that all such documentation related to the Securities Law and the Jordan Securities Commission – Rules and Regulations by currently in force.

Therefore, in those instances where the old Securities Law is mentioned and the information referenced has not been changed due to the implementation of the new Securities Law (The Securities Law Temporary Law No. 76 for the Year 2002), please substitute the new Securities Law for the old Securities Law.

To assist the JSC in providing the most current documentation, references to the old Securities Law in the samples provided, below, are highlighted in bold italic text, i.e. ***Securities Law No. (23) for the year 1997.***

**Examples**

## Jordan Securities Commission – Rules and Regulations

## ■ Directives on Issuance and Registration of Securities

■ **PREREQUISITES FOR THE REGISTRATION OF SECURITIES STATEMENT OF THE ISSUED STOCKS COMPANIES UNDER ESTABLISHMENT****GENERAL CLARIFICATIONS**

This form is used for submitting an application for the registration of securities by virtue of the *Securities Law No. (23) for the year 1997*, and no other form may be used for this purpose. The Companies, when submitting stocks for subscription will prepare a Statement for the Issued Stock and submit it to the Securities Commission. This Statement will include the required and detailed information. The Commission may request any information that helps the investor to take his decision concerning the investment in the to-be-issued securities. The purpose of the Statement of the Issued Stock is to inform the investors, therefore, it should present the required information in a clear, accurate and understandable form without containing irrelevant or inappropriate information, provided that the information shall not be repeated more than once in the Statement, unless expressly requested. And if that was necessary, it would be sufficient to refer to the place where the previous information is mentioned without details. The subjects and articles mentioned in the Statement were not stated exclusively, the issuing party shall include in the Statement of the Issued Stock all the necessary and important information. The Securities Commission shall not be responsible for the feasibility of the investment in the issued stock, nor for the correctness of the information stated therein. The issuing party may prepare a promotion statement provided it is based on and in conformity with the information and data contained in the Statement of the Issued Stock.

■ **INFORMATION TO BE INCLUDED IN THE STATEMENT OF ISSUED STOCKS****First: Information on stocks**

2. a) Kind of Stocks, their nominal value, number of issued stocks, their price and total value, and in the event there are stocks in kind against assets, the general aim of this process will be clarified as well as the basis used in evaluating these assets, in addition to providing all the information pertaining to the evaluation process.

**Ninth : The Number of Founders and the Distribution of the Ownership of the Company's Stocks.**

The names of the founders of the company, their nationality, the number and value of the stocks covered by each of them.

■ **Requirements for the Registration of Securities Shares Prospectus / Existing Companies**

**X - Management of the company**

This item shows the following:

3. Shareholdings of the members of the Board of Directors, their relatives (spouses and children) and the higher management in the issuing company, as well as the shareholding of any controlled company by any of them.

**XI - Number of shareholders and distribution of ownership of the company's shares**

This item shows the following:

1. Number of shareholders and the distribution of ownership of shares.
2. Names of shareholders each of whom own 5% or more of the company's shares, and the number of shares owned by each of them.

**4.a.2 Listed Companies – Business & Financial Disclosure**

This component of WFE Principle 4 requires "...timely, and the widest possible disclosure of business and financial information materially affecting listed companies;"

**NOTE:** Many of the portions of the Jordan Securities Commission – Rules and Regulations included in the samples, below, references the old Securities Law (Securities Law No. (23) for the year 1997). In providing the WFE with documentation it is extremely important for the purposes of accuracy, timeliness and consistency that all such documentation related to the Securities Law and the Jordan Securities Commission – Rules and Regulations by currently in force.

Therefore, in those instances where the old Securities Law is mentioned and the information referenced has not been changed due to the implementation of the new Securities Law (The Securities Law Temporary Law No. 76 for the Year 2002), please substitute the new Securities Law for the old Securities Law.

To assist the JSC in providing the most current documentation, references to the old Securities Law in the samples provided, below, are highlighted in bold italic text, i.e. ***Securities Law No. (23) for the year 1997***.

### Examples

#### Jordan Securities Commission – Rules and Regulations

#### ■ Directives on Issuance and Registration of Securities

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### **VII - Description of the company, its subsidiaries and their operations**

1. This indicates the main economic or operational activities of the company, and their effect on the issuer company's production, employment and sales.
2. (a) A brief historical overview that includes a description of
  - 1- The development of the company's operations over the last five years or as of its institution, whichever is less.
  - 2- Any period falling between the end of the fiscal year and the date of drafting of the prospectus.
  - 3- Any other fiscal years, if the concealment of such data might lead to misleading prospectus users.
  - 4- Any changes or events that took place at the company and affected it in terms of its nature, types of its products, its major disbursed expenses and the means of such disbursement, its reorganization, the sale or repurchase of important assets, or the opening up or closure of any part of its plants or type of products or services.

### **VIII- Sources of finance of the company (banks and financial companies are exempted from the requirements of this item)**

This item shows a list of all of the company's debt, be it short or long term. The purpose of all this is the following:

1. To give the investor a chance to know the relation between the shares to be Issued and their effect on the conditions of the financial company.
2. To facilitate the identification of the ratio of internal to external financing (the ration of shareholder's equity to creditor rights).



The aforementioned information should be shown according to the following form:

**Sources of finance of the company**

Statement	Value as on ..... of 200..		Value in Case all the shares offered for sales were covered	
	(before issuance)		(after issuance)	
	amount	percentage	amount	percentage
Short term debts (broken down by class, type and interests due thereon)				
Total ..... (1)				
Long term debts (broken down by class, type and interests due thereon)				
Total ..... (2)				
Shareholder' equity ( paid-in capital broken down by ordinary shares, preference shares , obligatory and optional reserves , profits carried forward and issuance premiums )				
Total shareholders' equity .. (3)				
Grand total ..... (1+2+3)				
Ratio of shareholders' equity to creditor rights				

**IX - Financial data and statements**

1. Annual financial reports: These cover the financial statements relative to:

- (a) The company's financial status.
- (b) The loss and profit statement for the last three years or as of the company's institution, whichever is less.
- (c) The cash flow chart for the last year.

All these financial data should be prepared according to the adopted accounting standards of the Commission, supported with annotations and certified by the company's auditors.

2. Periodic financial statements: These are statements issued 90 days after the most recent audited annual statements.

3. Consolidated financial statements of subsidiaries: These are the consolidated financial statements of subsidiaries including the annual and periodic statements, if any. In case such information is not available, charts reflecting the financial status of subsidiaries or companies maintained by the issuing company are prepared for investments exceeding 10% of the assets.

4. Additional financial statements: They reflect any major and important events that affect the financial data and that take place as of the date of preparation of the last budget and up to the date of issuance.

5. Shareholders' Equity: These are lists that contain data related to shareholders rights of the issuing company, for the last three years or as of the institution of the company, whichever is less. They illustrate the changes in the capital accounts, reserves, and profits and losses carried forward.

6. Profitability of the company: Statistical tables covering the following should be drafted:

- (a) The company's profitability (pre and post taxation net profits), as well as a record of distributed profits for the last three years or as of the institution of the company, whichever is less.
- (b) The ratio of distributed profits to the company's paid-in capital.
- (c) Share dividend.
- (d) Return on capital and how it is calculated.

If the company's capital includes preference shares, the percentage of dividend distribution per share must be clarified.

7. A brief conclusion of the most important accounting rules abided to by the issuing company.

#### **4.a.3 Listed Companies – Material Events Disclosure**

These components of WFE Principle 4 requires "...regular disclosure of financial information by listed companies;"

The majority of documentation required will be provided by the ASE Legal Department and the ASE Listing Department. However, there are several requirements in the JSC's Rules and Regulations that cover this subject.

The samples provided may be sufficient to meet the JSC's requirements for this section of the questionnaire. However, it is requested that based on its experience the JSC provide any additional Articles from the Securities Law and/or the Commissions Rules and Regulations that would increase the level of documentation.

**NOTE:** Many of the portions of the Jordan Securities Commission – Rules and Regulations included in the samples, below, references the old Securities Law (Securities Law No. (23) for the year 1997). In providing the WFE with documentation it is extremely important for the purposes of accuracy, timeliness and consistency that all such documentation related to the Securities Law and the Jordan Securities Commission – Rules and Regulations by currently in force.

Therefore, in those instances where the old Securities Law is mentioned and the information referenced has not been changed due to the implementation of the new Securities Law (The Securities Law Temporary Law No. 76 for the Year 2002), please substitute the new Securities Law for the old Securities Law.

### **Examples**

The Securities Law  
Temporary Law No. 76 for the Year 2002  
Chapter 5 Disclosure

#### **Article (43)**

A- Every Issuer shall file with the Commission, in accordance with the instructions issued by the Board, and publish the following periodic reports:

1. An annual report, including financial statements certified by an auditor, within 90 days of the end of its fiscal year;
2. A semi-annual report within 30 days of the end of its biannual fiscal year;
3. A preliminary report about its activities submitted after a preliminary audit thereof, within a maximum period forty five days from the end of the fiscal year;
4. A report pertaining to the election of the board of directors or the executive board or any change in the composition or identity of any members thereof.

B- The Board may prescribe the form and content of the reports required under Paragraph (A) of this Article, provided it specifies the persons required to sign the report. In so doing, the Board shall give due consideration to the feasibility of electronic filing.

C- Publication of the reports specified in Paragraph (A) of this Article may be in a local daily newspaper, or by means of written or electronic mailings addressed to each security holder or by such other means adopted by Commission according to instructions issued by the Board.

D- Every Issuer must make public, and file with the Commission, any material facts upon recognizing such.

#### Jordan Securities Commission – Rules and Regulations

#### Directives of Disclosure and Auditing and Accounting Standards

#### **Chapter 2 (Directives of Disclosure and Auditing and Accounting Standards)**

**Article (5)**

a. Any issuing company shall, within no more than 45 days of the end of its fiscal year, declare its primary actions results upon primary revision of such by its auditor and shall provide the Commissions of copies thereof.

b. The primary results referred to in Paragraph (A) of this Article shall at a minimum include the following:

1. Net revenues.
2. Expected net profit prior to tax.
3. Designated income tax for the expected profits.
4. Minority rights in the profits.
5. Net profit of the company's shareholders after deducting the designated tax and the minority rights.
6. Comparative figures with the preceding fiscal year of items (1-5) above.
7. Summary of the Company's actions results during the fiscal year.

**Article (6)**

The Board of Directors of the issuing company shall prepare and provide the Commission with the company's annual report within a period not exceeding three months as of the end of its fiscal year. Such report shall include the following:

- a. The Chairman's speech.
- b. The Board of Director's report which shall include the following:
  1. Description of any governmental protection or privileges the company or any of its products enjoys pursuant to laws and regulations or otherwise with reference to the period such is applied thereto.
  2. A description of any patents or concessions that were granted to the Company, description of any decisions adopted by the Government, international organizations or otherwise which has material effect on the Company's operations, products or competitive ability, and shall disclose the extend by which the company abides with the international quality standards.
  3. The Company's accomplishments substantiated with figures, and a description of significant events that encountered the company during the fiscal year.
  4. The competitive status of the Company within the sector of its activities, its main markets its share in the domestic market and in foreign markets if possible.
  5. Degree of dependence on specific providers and/or main customers (whether domestic or abroad), where such constitutes (10%) or more of aggregate purchases and/or sales or revenues respectively.
  6. The financial effect of transactions of non-repetitive nature which occurred during the fiscal year, which are not included in the Company's main activity.

7. Time chain of incurred profits or losses, distributed profits, the shareholder's net equity and the prices of securities issued by the Company, for a period of no less than five years or where the Company has not completed five years since its establishment, from the date of its establishment, with a graphical illustration thereof whenever feasible.
8. Analysis of the Company's financial status and actions results during the fiscal year.
9. Significant future developments including any expansions or new projects, and the Company's future plan for at least one coming year, and the expectations of the board of directors of the Company's actions results.
10. Amount of auditing fees for the Company and the affiliates thereof, and amount of any fees for other services received by and/or due to the auditor.
11. Description of the Company's main activities, their geographical locations, volume of capital investment and the number of employees in each activity.
12. Description of affiliated companies, nature of their work and fields of their activities.
13. Names of the members of the board of directors, and names and titles of senior executive managers and a resume of each.
14. Number of securities issued by the Company, and securities owned by any member of the board of directors and senior executive manager and their relatives, and companies controlled by any of them, compared with the preceding year.
15. Privileges and bonuses that the Chairman and members of the board of directors and senior executive managers enjoy during the fiscal year, including all amounts received by them as wages, fees, salaries, bonuses and others, and amounts paid to them as travel and transportation expenses inside and outside the Kingdom.
16. Donations and grants made by the Company during the fiscal year, detailed according to the entities receiving such.
17. Names of senior shareholders of shares issued by the Company and the number of shares owned by each of them where such ownership amounts to 5% or more, compared with the preceding year.
18. Organizational structure of the issuing company, its appointing policy, number of employees, their qualification categories and turn-over ratio, and rehabilitation and training programs for the company's employees.
19. Contracts, projects and commitments concluded by the issuing company with the Chairman or Members of the Board of Directors, the Director General, any employee of the Company or their relatives.
20. The Company's contribution in serving the environment and the local society.

c. The Company's annual financial statements audited by its auditors, compared with the preceding year, which shall include the following:

1. The Balance Sheet.
2. Profits and losses account.
3. Cash-flow list.
4. Changes in the shareholders equity.
5. Explanations of the financial statements.

d. The Company's auditor's report on the company's annual financial statements including a statement that auditing procedures have been conducted according to accounting standards stipulated pursuant to these Instructions.

- e. 1. A declaration from the Company's board of directors that, according to the board's knowledge and beliefs, there had been no significant matters affecting the continuity of the Company during the following fiscal year.
2. A declaration from the Company's board of directors of its responsibility for preparing the financial statements and for providing effective control system in the Company.

**Article (8)**

a. The board of directors of the issuing company shall prepare a semi-annual report compared with the same period of the preceding fiscal year, and shall announce such report within a period not exceeding one month as of the end of such period provide the Commission of copies thereof.

b. The report referred to in Paragraph (A) of this Article shall include the following:

1. The Balance Sheet.
2. Profits and losses account.
3. Changes in the shareholders equity.
4. Cash-flow list.
5. Necessary explanations.
6. The Company's auditor report including a statement that auditing procedures have been conducted according to accounting standards stipulated pursuant to these Instructions.
7. Summary report on the Company's action results during the set period in comparison with the future plan that has been already established.

### **Chapter 3 (Disclosure of Significant Matters and Important Events )**

#### **Article (10)**

- a. Any issuing company shall, and without delay, and through any means that achieves the required urgency, inform the Commission of, and promptly announce or declare upon the occurrence of significant matters or important events that could affect the Company's profitability, its financial status or the prices of securities issued there from, particularly the following significant matters and important events:

Important changes that occur to the following:

The Company's assets.

The obligations of the Company whether short-term or long-term, and any seizures on its assets.

The Capital's structure.

The Company's products.

Changes in the ownership of the Company's shares which result in a change in the control thereof.

- b. Major transactions concluded by the Company or the cancellation of such, and the Company's Board of Directors assessment of the anticipated impact of such transactions on the profitability and financial status of the Company.
- c. Transactions of non-repetitive nature that may have material effect on the Company's profitability or financial status.
- d. Disasters and fires and their anticipated impact on the Company's financial status.
- e. Any sudden material losses that affected the Company's financial status. Reasons thereof shall also be stated.
- f. Important decisions of the Board of Directors that may affect the prices of the Company's issued securities, including decisions that relate to:
  - 1. Issuing new securities, or redeeming existing ones.
  - 2. Changes in capital investments or the Company's objectives and markets.
  - 3. Initiation of a merger.

4. Distributing profits.

5. Voluntary liquidation.

g. The Company's General Assembly decisions.

h. Constituting a new Board of Directors of the Company, resignation of any Member of the Board or the General Manager, any vacancy in their positions, and the reasons thereof promptly upon the occurrence of such, as well as the Board of Director's decisions regarding the appointment of new members to the Board and a new General Manager and his qualifications.

h. Suspension of the activities of the Company, any branch, factory or affiliated company thereof and the reasons therefore.

**Article (11)**

The issuing company shall provide the Commission with a detailed report on all significant matters or important events that have been announced or declared along with a copy of the announcement or the press statement as the case may be.

**Article (12)**

The issuing company shall provide the Commission with sufficient information on the cases it filed or are filed against it, which might have material effect on the Company's financial status, and their anticipated effect on the company's profitability and financial status.

**Chapter 8 (General Provisions)**

**Article (35)**

a. For the purposes of these Instructions, the term "announce" shall mean publishing the relevant information and data in Arabic for a single time in at least one daily newspaper, and in other publications issued by the Commission.

b. For the purposes of these Instructions, the term "Declare" shall mean publishing or making a press release through any means of media.

c. Making of the announcement, its content, its publication or declaration shall be the responsibility of the Chairman of the Board of Directors or any delegate thereof authorized in writing, provided that the Commission shall be informed by a written statement of the name and title of such person.



#### 4.a.4 Disclosure of Investor Risk

These components of WFE Principle 4 requires "...disclosure to investors of the nature, risk and investment potential inherent in the traded financial products".

The samples provided may be sufficient to meet the JSC's requirements for this section of the questionnaire. However, it is requested that based on its experience the JSC provide any additional Articles from the Securities Law and/or the Commissions Rules and Regulations that would increase the level of documentation.

**NOTE:** Many of the portions of the Jordan Securities Commission – Rules and Regulations included in the samples, below, references the old Securities Law (Securities Law No. (23) for the year 1997). In providing the WFE with documentation it is extremely important for the purposes of accuracy, timeliness and consistency that all such documentation related to the Securities Law and the Jordan Securities Commission – Rules and Regulations by currently in force.

Therefore, in those instances where the old Securities Law is mentioned and the information referenced has not been changed due to the implementation of the new Securities Law (The Securities Law Temporary Law No. 76 for the Year 2002), please substitute the new Securities Law for the old Securities Law.

#### *Examples*

The Securities Law  
Temporary Law No. 76 for the Year 2002  
Chapter 5 Disclosure

#### **Article (34)**

- A- 1- No person shall make a public offer unless a prospectus is filed with the Commission, together with such additional information and data which enables investor to make his investment decision.
- 2- The Board shall issue instructions specifying the information and data which shall be included in prospectus or attached therewith.
- B- Securities offer shall be in one of the following ways:
1. A prospectus;
  2. An advertisement containing a summary of the prospectus and other information or data required by the Commission or authorized thereby pursuant to instructions issued by the Board;

3. A written text attached to or preceding the prospectus, provided the prospectus has come into effect.

C- The sale of securities that are part of a public offer shall not be binding upon the buyer unless the buyer first has received a copy of the effective prospectus.

#### **Article (38)**

A- The prospectus shall become public upon its submission to the Commission.

B- The Commission shall provide public access to prospectus and to other information filed in accordance with the provisions of this Law.

#### **Article (41)**

A- The Commission shall review the prospectus and the information attached thereto in accordance with the provisions of Articles (34), (35), and (37) of this Law to determine whether the prospectus satisfies the requirements of this Law and the regulations, instructions and decisions issued pursuant thereto.

For this purpose, the Board shall hold hearings for the purpose of evaluating the correctness, accuracy and sufficiency of the information filed therewith.

### Jordan Securities Commission – Rules and Regulations

#### ■ **Directives on Issuance and Registration of Securities**

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#### ■ **Requirements for the Registration of Securities Shares Prospectus / Existing Companies**

##### **General**

This form shall be used for the purposes of submitting a request for registration of securities under the *Securities Law No.(23) of 1997*. No other form can be used for this purpose. When offering shares for subscription, companies are obliged to prepare a prospectus and submit it to the Securities Commission. Said prospectus shall contain all the required detailed information and data. The Commission may require any additional information that might help investors make their decision regarding investment in the securities to be issued. The purpose of the prospectus is to inform investors. Consequently, the required information must be presented in a clear, accurate and comprehensible manner, and should not include any irrelevant or inappropriate information. The same information should not be repeated in more than one place in the prospectus, unless so required explicitly; in such a case, it shall be sufficient to refer to the place where the information is cited with no details.

##### **Clarifications**

The items and subjects cited in the prospectus are not restrictive; and the issuer must include all the relevant and important information in the prospectus. The Securities Commission shall not be responsible for the profitability of investing in shares offered for sale or for the soundness of information included in this prospectus. The issuer may make a promotional bulletin, upon the condition that it supports and is in harmony with the information and data contained in the prospectus.

**Important note**

This item contains the literal text to be included in a rectangular box on the inner side of the cover page.

**Important note**

Due to the importance of this note, we kindly request all investors to read it carefully.

**The main purpose of this prospectus is to present all the information that help investors make the right decisions regarding investment in the shares offered for sale. The company bears full responsibility for the information contained in this prospectus; and affirms that there is no other information, the deletion of which would render the information contained in the prospectus misleading. Every investor must carefully examine and meticulously study this prospectus to decide whether it is appropriate to invest in these shares, while taking into consideration all the presented facts, in the light of his / her own circumstances. The Securities Commission shall not bear any responsibility for the non-inclusion of any vital or important information or data or the inclusion of incorrect or inaccurate information or data. This shall be the sole responsibility of the party, which prepares this prospectus.**

■ **Information that should be included in the shares prospectus**

**VII - Description of the company, its subsidiaries and their operations**

1. This indicates the main economic or operational activities of the company, and their effect on the issuer company's production, employment and sales.

(a) A brief historical overview that includes a description of

- 1- The development of the company's operations over the last five years or as of its institution, whichever is less.
- 4- Any changes or events that took place at the company and affected it in terms of its nature, types of its products, its major disbursed expenses and the means of such disbursement, its reorganization, the sale or repurchase of important assets, or the opening up or closure of any part of its plants or type of products or services.

5- All the sub-mentioned matters or any other matters of concern to the investors, provided that the description covers the following items:-

- '1' A list of the main products and services and their markets.
- '2' A description of the sources and location of the main raw materials.
- '3' A description of the importance, duration and impact of the licenses, patents, trade marks and any other trade rights; and a statement of any changes thereto that have occurred over the recent years, or any expected relevant events.
- '4' A list of any cases adjudicated for or against the company or that are still in judicial process, over the last five years.

(b) An assessment of the development of the company's future business for the coming five years, including an assessment of any major expansions, any innovations or any other types of projects.

### **Legal Consultant's Certificate On the Issuance of Securities**

Re: Offer of Shares for Public Sale

The offering of shares for public sale of ..... Company is in line with the provisions of the Companies' Law, the Securities Law and the Articles of Association of the company. All procedures taken were consistent with law.

\* Legal claims for or against the company which are heard before the courts amount to .....

Legal Consultant / Lawyer

.....

### **Auditor's Certificate**

The certificate issued by the auditor should include the following text:

We, the sub-mentioned auditors, affirm that the financial reports and statements cited in the prospectus are the valid and the correct financial reports and statements from all aspects, and that they have been prepared according to the accounting standards adopted by the Securities Commission. We also acknowledge the content and correctness of the financial reports included in this prospectus.

Name and signature

#### 4. b Exchange Goals – Part I

*Exchanges should work towards:*

- *regulatory co-ordination among markets where financial products are jointly listed, in order that there be a synchronized disclosure of information, and*
- *the support of cross-border listing and trading.*

Information required for this component of WEF Principle 4 will be provided by appropriate departments of the ASE.

**THERE IS NO SPECIFIC INFORMATION REQUIRED FROM THE JSC RELATING TO THIS COMPONENT. HOWEVER, BASED ON ITS EXPERIENCE IN THE MARKETPLACE THE JSC IS WELCOME TO PROVIDE ANY DOCUMENTATION IT DEEMS APPROPRIATE AND HELPFUL.**

#### 4. C Exchange Goals – Part II

*The listing procedures, time schedule for the processing of the dossier, costs or the company, minimum size of capitalisation, and other requirements should be compiled in one rulebook, which is publicly available. In case listing responsibilities are shared with the supervisory agency, it should be clear where the ultimate decision in the listing process lies. Foreign issuing companies should be subject to the same rules as the domestic ones.*

In order to provide documentation for this component of the WFE Principle 4, it is sufficient to state that the rules, regulations and procedures related to the listing of securities on the ASE are contained in:

- The Securities Law - Temporary Law No. 76 for the Year 2002
- The Internal By-Laws of the Amman Stock Exchange
- Directives on Disclosure Related to Amman Stock Exchange
- Directives for Listing Securities on Amman Stock Exchange/ Securities Market

Additionally, the WFE Application will contain a statement regarding the availability of the information cited, above, in print and on the websites of the JSC and the ASE.

## 5. Trading

### 5.a Trading – Exchange Accountability

*The accountability of the Exchange to market users should be described, especially in any agreements that seek to modify the distribution of responsibilities among actors.*

This WFE requirement is concerned with the roles and responsibility of an Exchange in regards to participants in the Exchange. The Exchange's roles and responsibilities should be clearly stated in the Exchange's By-Laws and Directives.

#### 5.a.1 Exchange Accountability

The majority of the documentation required to demonstrate compliance with this component of WFE Market Principle 5 will be provided by the appropriate ASE departments.

All of the responsibilities of the ASE to its members, both issuers and trading participants should be documented. Please provide those Articles in the Securities Law and the Jordan Securities Commission – Rules and Regulations that will demonstrate compliance with the WFE Market Principle 5.

The samples provided may be sufficient to meet the JSC's requirements for this section of the questionnaire. However, it is requested that based on its experience the JSC provide any additional Articles from the Securities Law and/or the Jordan Securities Commission - Rules and Regulations that would increase the level of documentation

#### **Examples**

The Securities Law  
Temporary Law No. 76 for the Year 2002  
Chapter 7 The Stock Exchange

#### **Article (71)**

A- The by-laws and instructions of the Market shall be legally binding upon the members and their clients .

B- A member shall sign a written commitment upon becoming a member of the Market pursuant to which he undertakes to comply with the Market's by-laws and instructions.

**THERE DOES NOT APPEAR TO BE SUBSTANTIAL ADDITIONAL INFORMATION REQUIRED FROM THE JSC RELATING TO THIS COMPONENT. HOWEVER, BASED ON ITS EXPERIENCE IN THE MARKETPLACE THE JSC IS WELCOME TO PROVIDE ANY DOCUMENTATION IT DEEMS APPROPRIATE AND HELPFUL.**

### **5.b Trading – Audit Trails & Market Data Dissemination**

*Transaction audit trails should be available to investors and regulators; only the information to regulators will include non-public information. Pre- and post-trade information should be provided on a timely basis.*

This component of WFE Market Principle 5 is concerned with an Exchange's market transaction controls and the availability of timely and transparent trading information.

The majority of the documentation required to demonstrate compliance with this component of WFE Market Principle 5 will be provided by the appropriate ASE departments.

The samples provided may be sufficient to meet the JSC's requirements for this section of the questionnaire. However, it is requested that based on its experience the JSC provide any additional Articles from the Securities Law and/or the Commissions Rules and Regulations that would increase the level of documentation.

#### **Examples**

The Securities Law  
Temporary Law No. 76 for the Year 2002  
Chapter 7 The Stock Exchange

#### **Article(67)**

C- The by-laws and instructions of a Trading Market in Securities shall provide for the following:

1. Charging its members, Issuers and other persons using its facilities any fees and charges in a fair and reasonable manner;
2. Ensuring fairness, efficiency and transparency and preventing fraud, Deception and Prohibited Acts, fostering cooperation and coordination with entities working in the capital market and protecting investors;

3. Laying down fair principles for any differentiation between clients, Issuers, Financial Brokers or Dealers;
4. Imposing disciplinary sanctions upon its members and persons associated therewith for violation of the provisions of this Law and the regulations, instructions and decisions issued pursuant thereto and the provisions of the by-laws and instructions of the Trading Market in Securities;

**Article (68)**

C- Any information to which the Market management, employees or counsels have access shall be deemed confidential, and may not be disclosed without Board approval.

**Article (69)**

A- A Financial Broker or Dealer shall not trade in securities of a Public Issuer except on a stock exchange, unless such a security is exempt from this condition by the Board.

B- Trading on the Market shall be carried out only through trading contracts between Brokers, either on behalf of clients or for their own account. The contracts shall be recorded in the Market registers in accordance with the Market by-laws and instructions, which shall be binding upon all parties to the trading.

C- The entry records of the Market registers and accounts, whether manual or electronic, as well as any document issued by the Market pursuant thereto, shall constitute *prima facie* legal evidence of the trade and date stated therein unless proven otherwise .

**THERE DOES NOT APPEAR TO BE SUBSTANTIAL ADDITIONAL INFORMATION REQUIRED FROM THE JSC RELATING TO THIS COMPONENT. HOWEVER, BASED ON ITS EXPERIENCE IN THE MARKETPLACE THE JSC IS WELCOME TO PROVIDE ANY DOCUMENTATION IT DEEMS APPROPRIATE AND HELPFUL.**

**5.c Trading – Market Transparency**

*The transparency of the market is a crucial element of fairness and must be assured at all times. Although markets may offer different degrees of transparency depending upon the balance struck between transparency and liquidity, nevertheless, whatever the structure transactions must be reported immediately to the exchange, with details as to price and volume.*

*Exchanges should undertake:*

- *to promote well balanced transparency by publicly disclosing transaction data;*
- *to establish and maintain trading rules to protect investors, such as "best execution" rules, regulatory trading halts, etc.*
- *to create transparency with respect to the capacity in which the intermediaries operate.*



This component of WFE Market Principle 5 is concerned with an Exchange's transaction transparency including the availability of timely dissemination of market data.

The majority of the documentation required to demonstrate compliance with this component of WFE Market Principle 5 will be provided by the appropriate ASE departments.

The samples provided may be sufficient to meet the JSC's requirements for this section of the questionnaire. However, it is requested that based on its experience the JSC provide any additional Articles from the Securities Law and/or the Commissions Rules and Regulations that would increase the level of documentation.

### **Examples**

The Securities Law  
Temporary Law No. 76 for the Year 2002  
Chapter 7 The Stock Exchange

#### **Article (65)**

G- The Amman Stock Exchange shall be subject to monitoring, supervision and inspection by the Commission, which may also audit the Amman Stock Exchange's registers.

#### **Article (67)**

B- A Trading Market in Securities shall not be licensed as a Stock Exchange unless the Board determines that such a Trading Market is organized and has the capacity to enforce compliance by its members and persons associated with its members with the provisions of this Law and the regulations, instructions and decisions issued pursuant thereto, and with its own by-laws and instructions.

C- The by-laws and instructions of a Trading Market in Securities shall provide for the following:

1. Charging its members, Issuers and other persons using its facilities any fees and charges in a fair and reasonable manner;
2. Ensuring fairness, efficiency and transparency and preventing fraud, Deception and Prohibited Acts, fostering cooperation and coordination with entities working in the capital market and protecting investors;
3. Laying down fair principles for any differentiation between clients, Issuers, Financial Brokers or Dealers;
4. Imposing disciplinary sanctions upon its members and persons associated therewith for violation of the provisions of this Law and the regulations, instructions and decisions issued pursuant thereto and the provisions of the by-laws and instructions of the Trading Market in Securities;

5. Applying equitable and fair trading procedures;
6. Barring any unjustified or inadequate restraints on competition;
7. Establishing standards of training, experience and administrative competence for its members and persons employed by such members, and disciplinary measures against those who do not satisfy such;
8. Assuring the financial adequacy of its members and for monitoring such.

**Article (70)**

A- The Market may stipulate membership requirements and conditions, and may refuse the application of any person to become a member or bar him from being employed by a member, if such a person does not meet the standards of training, experience, and competence prescribed by the Market's by-laws and instructions, or if he commits a violation of the provisions of this Law and the regulations, instructions and decisions issued pursuant thereto.

B- In taking any of the measures stated in Paragraph (A) of this Article, the Market shall give the said person opportunity to be heard, record the minutes of investigation, and provide cause for any decision it takes in this regard.

C- The Market shall specify the violations by members or persons associated therewith which are subject to disciplinary measures, and shall notify the member or the said person of the charge, provide such member with the opportunity to be heard, and keep minutes of the hearing. A determination by the Market to impose a disciplinary sanction shall include the following:

1. any act or practice which such member or the person associated therewith has been found to have engaged in, or which such member or person has been found to have omitted;
2. the specific provisions of this Law and the regulations, instructions and decisions issued pursuant thereto, and the provisions of the Market by-laws and instructions which the member or the person associated therewith has violated;
3. the investigation's findings, the sanctions imposed and the reasons therefore.

**5.c.1 Trading – Market Transparency: Public Disclosure of Transaction Data**

*Exchanges should undertake:*

- *to promote well balanced transparency by publicly disclosing transaction data;*

This component of WFE Market Principle 5 is concerned with an Exchange's timely dissemination of market data.

The majority of the documentation required to demonstrate compliance with this component of WFE Market Principle 5 will be provided by the appropriate ASE departments.

The samples provided may be sufficient to meet the JSC's requirements for this section of the questionnaire. However, it is requested that based on its experience the JSC provide any additional Articles from the Securities Law and/or the Commissions Rules and Regulations that would increase the level of documentation.

### **Examples**

The Securities Law  
Temporary Law No. 76 for the Year 2002  
Chapter 7 The Stock Exchange

#### **Article (65)**

G- The Amman Stock Exchange shall be subject to monitoring, supervision and inspection by the Commission, which may also audit the Amman Stock Exchange's registers.

#### **Article (70)**

C- The by-laws and instructions of a Trading Market in Securities shall provide for the following:

2. Ensuring fairness, efficiency and transparency and preventing fraud, Deception and Prohibited Acts, fostering cooperation and coordination with entities working in the capital market and protecting investors;
5. Applying equitable and fair trading procedures;
6. Barring any unjustified or inadequate restraints on competition;

**THERE DOES NOT APPEAR TO BE SUBSTANTIAL ADDITIONAL INFORMATION REQUIRED FROM THE JSC RELATING TO THIS COMPONENT. HOWEVER, BASED ON ITS EXPERIENCE IN THE MARKETPLACE THE JSC IS WELCOME TO PROVIDE ANY DOCUMENTATION IT DEEMS APPROPRIATE AND HELPFUL.**

### 5.c.2 Trading – Investor Protection: Trading Rules

*Exchanges should undertake:*

- *to establish and maintain trading rules to protect investors, such as "best execution" rules, regulatory trading halts, etc.*

This component of WFE Market Principle 5 is concerned with an Exchange's responsibility to conduct a fair and orderly market in securities while at the same time protecting investors.

The majority of the documentation required to demonstrate compliance with this component of WFE Market Principle 5 will be provided by the appropriate ASE departments.

The samples provided may be sufficient to meet the JSC's requirements for this section of the questionnaire. However, it is requested that based on its experience the JSC provide any additional Articles from the Securities Law and/or the Commissions Rules and Regulations that would increase the level of documentation.

#### **Examples**

The Securities Law  
Temporary Law No. 76 for the Year 2002  
Chapter 7 The Stock Exchange

#### **Article (65)**

G- The Amman Stock Exchange shall be subject to monitoring, supervision and inspection by the Commission, which may also audit the Amman Stock Exchange's registers.

#### **Article (70)**

C- The by-laws and instructions of a Trading Market in Securities shall provide for the following:

2. Ensuring fairness, efficiency and transparency and preventing fraud, Deception and Prohibited Acts, fostering cooperation and coordination with entities working in the capital market and protecting investors;
5. Applying equitable and fair trading procedures;
6. Barring any unjustified or inadequate restraints on competition;

The Securities Law  
Temporary Law No. 76 for the Year 2002  
Chapter 4 Investors Protection Fund

**Article (33)**

A- The Commission may establish or approve the establishment by any entity of a fund known as the (Investors Protection Fund). The Fund shall have a legal personality.

B- All matters pertaining to the Investors Protection Fund, including its establishment, its objectives, management, terms of membership, financial resources, administration of assets, mode of operation, obligations towards investors in Jordanian securities, and its liquidation shall be governed by instructions issued by the Board.

C- The Fund shall be subject to the Commission's monitoring and supervision.

The Securities Law  
Temporary Law No. 76 for the Year 2002  
Chapter 12 General and Interim Provisions

**Article (114)**

Securities shall enjoy, in accordance with the provisions of this Law, the following privileges:

- A- The finality and conclusiveness of securities trades in stock exchanges.
- B- Ownership rights and due prices in accordance with the Center's accounts.
- C- Irrevocability of the final settlement of trading contracts on the Market.

**THERE DOES NOT APPEAR TO BE SUBSTANTIAL ADDITIONAL INFORMATION REQUIRED FROM THE JSC RELATING TO THIS COMPONENT. HOWEVER, BASED ON ITS EXPERIENCE IN THE MARKETPLACE THE JSC IS WELCOME TO PROVIDE ANY DOCUMENTATION IT DEEMS APPROPRIATE AND HELPFUL.**

## 5.d Trading – Cross-Border Trading: Foreign Participants

*The market should allow for cross-border trading. Duplicative regulation of the accessed market by the authorities in the jurisdiction in which it is located ("home country regulator") and those in the jurisdiction in which the accessing party is located ("host country regulator") should be avoided.*

*Foreign players should have identical rights - and obligations - as local players, provided their business attitude and financial soundness are comparable to those required in the market of the access provider.*

This component of the WFE Principle 5 is of particular importance to the WFE. In providing documentation for this component is important to demonstrate there are no significant barriers to foreign participants wishing to trade in the Jordanian capital market.

### Examples

The Securities Law  
Temporary Law No. 76 for the Year 2002  
Chapter 1 Definitions

#### **Chapter 1 - Definitions**

There are no references in the Securities Law of 2003, Chapter 1 – Definitions that differentiate and/or discriminate a foreign participant against a domestic participant. In accordance with this Chapter of the Securities Law, all participants in the Jordanian capital market are considered and treated equally.

#### **Chapter 2 – Securities Commission**

The JSC's interaction and cooperation with international regulatory bodies is specified in Article (12), Item O and Article (23) which states:

#### **Article (12)**

The Board shall assume all the necessary authorities to achieve the Commission's objectives in accordance with the provisions of this Law, and carry out the responsibilities and authorities stipulated in accordance with its provisions, including the following:

- O- Establishing cooperation relations with Arab and foreign securities commissions and Arab, regional and international organizations specialized in capital markets;

**Article (23)**

At the request of any securities commission or foreign capital markets regulator, the Commission may support an investigation by that commission or regulator by providing information about Licensed Persons or their business or by carrying out an investigation itself.

***Chapter 3 – Commission’s Financial Affairs***

There are no references in the Securities Law of 2002, Chapter 3 – Commission’s Financial Affairs that differentiate and/or discriminate a foreign participant against a domestic participant. In accordance with this Chapter of the Securities Law, all participants in the Jordanian capital market are considered and treated equally.

***Chapter 4 – Investors Protection Fund***

There are no references in the Securities Law of 2003, Chapter 4 - Investors Protection Fund that differentiate and/or discriminate a foreign participant against a domestic participant. In accordance with this Chapter of the Securities Law, all participants in the Jordanian capital market are considered and treated equally.

***Chapter 5 Disclosure***

There are no references in the Securities Law of 2003, Chapter 5 - Disclosure that differentiate and/or discriminate a foreign participant against a domestic participant. In accordance with this Chapter of the Securities Law, all participants in the Jordanian capital market are considered and treated equally.

***Chapter 6 – Licensing, Registration and Monitoring***

This chapter of the Securities Law 2002 in Article (57) prohibits discrimination against any client/investor in the marketplace and mandates equal treatment for all market participants. Enforcement of non-discriminatory, equal treatment for all clients is contained in Article (60) of Chapter 6.

**Article (57)**

In carrying out their activities, Licensed and Registered Persons, and their employees, shall perform their duties abiding by the rules of professional conduct in accordance with the instructions issued by the Board. This shall include acting with loyalty and dedication so as to maximize their clients’ interests, realize their clients’ investment objectives, and refrain from discriminating between clients, charging them excessive commissions and service fees, or guaranteeing or promising clients definite amounts of profits, or otherwise engaging in fraudulent and deceptive practices.

**Article (60)**

A- The Board may deny, suspend or revoke the license or registration of any person, as the case may be, if after notice and hearing it finds that this person has carried out any of the following:

1. violated any provision of this Law or the regulations, instructions or decisions issued pursuant thereto;

2. filed false information in the application for license or registration;
3. committed a Prohibited Act;
4. demonstrated incompetence to transact business as a Licensed or Registered Person.

***Chapter 7 – The Stock Exchange***

Fair and equitable treatment of all Exchange participants is required of the Exchange by Article (67), Item C of this Chapter of the Securities Law which states:

**Article (67)**

B- The by-laws and instructions of a Trading Market in Securities shall provide for the following:

2. Ensuring fairness, efficiency and transparency and preventing fraud, Deception and Prohibited Acts, fostering cooperation and coordination with entities working in the capital market and protecting investors;
3. Laying down fair principles for any differentiation between clients, Issuers, Financial Brokers or Dealers;
4. Imposing disciplinary sanctions upon its members and persons associated therewith for violation of the provisions of this Law and the regulations, instructions and decisions issued pursuant thereto and the provisions of the by-laws and instructions of the Trading Market in Securities;
5. Applying equitable and fair trading procedures;

Membership requirements for an Exchange as stated in Chapter 7 of the Securities Law of 2002, does not differentiate and/or discriminate a foreign participant against a domestic participant.

**Article (70)**

A- The Market may stipulate membership requirements and conditions, and may refuse the application of any person to become a member or bar him from being employed by a member, if such a person does not meet the standards of training, experience, and competence prescribed by the Market's by-laws and instructions, or if he commits a violation of the provisions of this Law and the regulations, instructions and decisions issued pursuant thereto.

***Chapter 8 – The Securities Depository Center***

There are no references in the Securities Law of 2003, Chapter 8 – The Securities Depository that differentiate and/or discriminate a foreign participant against a domestic participant. In accordance with this Chapter of the Securities Law, all participants in the Securities depository Center (SDC) are considered and treated equally.



Membership requirements for in the SDC as stated in Chapter 8, Article (82) of the Securities law of 2002, does not differentiate and/or discriminate a foreign participant against a domestic participant. Article (82) states:

**Article (82)**

A- Membership in the Center shall be mandatory for the following entities:

- 1- Public shareholding companies;
- 2- Public Issuers;
- 3- Legal persons licensed as Financial Brokers or Dealers;
- 4- Custodians;
- 5- Any other entity determined by the Board.

***Chapter 9 – Settlement Guarantee Fund***

There are no references in the Securities Law of 2002, Chapter 9 – Settlement Guarantee Fund that differentiate and/or discriminate a foreign participant against a domestic participant. In accordance with this Chapter of the Securities Law, all participants in the Settlement Guarantee Fund are considered and treated equally.

***Chapter 10 – Mutual Funds and Companies***

There are no references in the Securities Law of 2002, Chapter 10 – Mutual Funds and Companies that differentiate and/or discriminate a foreign participant against a domestic participant. In accordance with this Chapter of the Securities Law, all participants in a Mutual Fund or Company are considered and treated equally.

***Chapter 11 – Violations and Penalties***

There are no references in the Securities Law of 2002, Chapter 11 – Violations and Penalties that differentiate and/or discriminate a foreign participant against a domestic participant. In accordance with this Chapter of the Securities Law, all participants are considered and treated equally.

In Article (113) of this section of the Securities Law there is one differential reference related to notification requirements in Civil and Criminal Court procedures. The differences specified in this Article do not relate to a dissimilarity in the treatment of domestic versus foreign participants in the marketplace but rather to practical issues related to notification required to be provided to participants in such court cases who reside outside the Kingdom. Article (113) states:

**Article (113)**

B - Notification procedures in court cases involving securities shall be carried out pursuant to the Civil Proceedings Law. However, notification of persons whose place of residence or business is outside the Kingdom, shall be either at the address of choice thereof within the Kingdom, if any, or by advertising the notification in at least one local daily newspaper, and sending a copy of the notice voucher or announcement by registered, courier or first class mail to the address outside the Kingdom, filed at the Commission. In the latter case, the notification date shall be the seventh day from the date of depositing the notification voucher with the mail.

**Chapter 12 – General and Interim Provisions**

There are no references in the Securities Law of 2002, Chapter 11 – General and Interim Provisions that differentiate and/or discriminate a foreign participant against a domestic participant. In accordance with this Chapter of the Securities Law, all participants are considered and treated equally.

**Examples**

Jordan Securities Commission – Rules and Regulation

**NOTE: Information cited in the examples, below, are based on the JSC Rules and Regulations by virtue of the Securities Law (23) for the Year 1997. Please add , delete or update information that has changed by virtue of the Securities Law No. 76 for the Year 2002**

Directives on Issuance and Registration of Securities

**PREREQUISITES FOR THE REGISTRATION OF SECURITIES STATEMENT OF THE ISSUES STOCKS COMPANIES UNDER ESTABLISHMENT**

There does not appear to be any specific requirements in Annex 1 that mandate special and/or distinctive conditions for foreign entities as opposed to or in addition to those requirements for domestic entities. As stated, the requirements in Annex 1 are the same for all entities, both domestic and foreign.

It is requested that the JSC, based on its regulatory knowledge and experience, confirm the fact that there are no special requirements that apply to foreign entities that do not also apply to domestic entities.

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**REQUIREMENTS FOR THE REGISTRATION OF SECURITIES SHARES  
PROSEPTUS/**

**EXISTING COMPANIES**

There does not appear to be any specific requirements in Annex 2 that mandate special and/or distinctive conditions for foreign entities as opposed to or in addition to those requirements for domestic entities. As stated, the requirements in Annex 2 are the same for all entities, both domestic and foreign.

It is requested that the JSC, based on its regulatory knowledge and experience, confirm the fact that there are no special requirements that apply to foreign entities that do not also apply to domestic entities.

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**PREREQUISITES FOR THE REGISTRATION OF SECURITIES STATEMENT  
OF THE ISSUED STOCKS PRIVATE OFFER**  
**STOCKS PRIVATE OFFER**

There does not appear to be any specific requirements in Annex 3 that mandate special and/or distinctive conditions for foreign entities as opposed to or in addition to those requirements for domestic entities. As stated, the requirements in Annex 3 are the same for all entities, both domestic and foreign.

It is requested that the JSC, based on its regulatory knowledge and experience, confirm the fact that there are no special requirements that apply to foreign entities that do not also apply to domestic entities.

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**REQUIREMENTS FOR THE REGISTRATION OF SECURITIES BONDS  
PROSPECTUS**

There does not appear to be any specific requirements in Annex 4 that mandate special and/or distinctive conditions for foreign entities as opposed to or in addition to those requirements for domestic entities. As stated, the requirements in Annex 4 are the same for all entities, both domestic and foreign.

It is requested that the JSC, based on its regulatory knowledge and experience, confirm the fact that there are no special requirements that apply to foreign entities that do not also apply to domestic entities.

■ Directives of Disclosure and Auditing and Accounting Standards

**NOTE: Information cited in the examples, below, are based on Directives that were issued under No. (1) for 1998 and published in the Official Gazette on April 16th, 1998 and came into effect on 1st of September 1998. Please add , delete or update information that has changed by virtue of the Securities Law No. 76 for the Year 2002**

**Disclosure and Accounting and Auditing Standards and the Conditions to be Fulfilled in Auditors of the Entities Subject to the Commission's Monitoring Instructions No. (1) for the Year 1998.**

Issued by the Board of Commissioners of the Securities Commission pursuant to Articles (9) and (53) of the Securities Law, No. (23) for the Year 1997

**Article (1)**

There does not appear to be any specific requirements in Article 1 that mandate special and/or distinctive conditions for foreign entities as opposed to or in addition to those requirements for domestic entities. As stated, the requirements in Article 1 are the same for all entities, both domestic and foreign.

It is requested that the JSC, based on its regulatory knowledge and experience, confirm the fact that there are no special requirements that apply to foreign entities that do not also apply to domestic entities.

**Article (2)**

There does not appear to be any specific requirements in Article 2 that mandate special and/or distinctive conditions for foreign entities as opposed to or in addition to those requirements for domestic entities. As stated, the requirements in Article 2 are the same for all entities, both domestic and foreign.

It is requested that the JSC, based on its regulatory knowledge and experience, confirm the fact that there are no special requirements that apply to foreign entities that do not also apply to domestic entities.

**Article (2)**

**Law And Regulation**

■ Directives of Licensing Financial Services Companies and Certified Financial Professionals

**Chapter 1 (Financial Services Companies)**

There does not appear to be any specific requirements in Article 2, Chapter 1 that mandate special and/or distinctive conditions for foreign entities as opposed to or in addition to those requirements for domestic entities. As stated, the requirements in Article 2, Chapter 1 are the same for all entities, both domestic and foreign.

It is requested that the JSC, based on its regulatory knowledge and experience, confirm the fact that there are no special requirements that apply to foreign entities that do not also apply to domestic entities.

**Chapter 2 (Issue Management)**

There does not appear to be any specific requirements in Article 2, Chapter 2 that mandate special and/or distinctive conditions for foreign entities as opposed to or in addition to those requirements for domestic entities. As stated, the requirements in Article 2, Chapter 2 are the same for all entities, both domestic and foreign.

It is requested that the JSC, based on its regulatory knowledge and experience, confirm the fact that there are no special requirements that apply to foreign entities that do not also apply to domestic entities.

**Chapter 3 (Disclosure of Significant Matters and Important Events )**

There does not appear to be any specific requirements in Article 2, Chapter 3 that mandate special and/or distinctive conditions for foreign entities as opposed to or in addition to those requirements for domestic entities. As stated, the requirements in Article 2, Chapter 3 are the same for all entities, both domestic and foreign.

It is requested that the JSC, based on its regulatory knowledge and experience, confirm the fact that there are no special requirements that apply to foreign entities that do not also apply to domestic entities.

**Chapter 4 (Disclosure relating to Financial Brokerage Companies)**

There does not appear to be any specific requirements in Article 2, Chapter 4 that mandate special and/or distinctive conditions for foreign entities as opposed to or in addition to those requirements for domestic entities. As stated, the requirements in Article 2, Chapter 4 are the same for all entities, both domestic and foreign.

It is requested that the JSC, based on its regulatory knowledge and experience, confirm the fact that there are no special requirements that apply to foreign entities that do not also apply to domestic entities.

**Chapter 5 (Dealing in Securities by Insiders)**

There does not appear to be any specific requirements in Article 2, Chapter 5 that mandate special and/or distinctive conditions for foreign entities as opposed to or in addition to those requirements for domestic entities. As stated, the requirements in Article 2, Chapter 5 are the same for all entities, both domestic and foreign.

It is requested that the JSC, based on its regulatory knowledge and experience, confirm the fact that there are no special requirements that apply to foreign entities that do not also apply to domestic entities.

#### **Chapter 6 (Accounting Standards)**

There does not appear to be any specific requirements in Article 2, Chapter 6 that mandate special and/or distinctive conditions for foreign entities as opposed to or in addition to those requirements for domestic entities. As stated, the requirements in Article 2, Chapter 6 are the same for all entities, both domestic and foreign.

It is requested that the JSC, based on its regulatory knowledge and experience, confirm the fact that there are no special requirements that apply to foreign entities that do not also apply to domestic entities.

#### **Chapter 7 (Auditing Standards and the Requirements for Auditors of Entities Subject to the Commission's monitoring )**

##### **Article (27)**

Article (27) states that:

Any auditor of any entity subject to the Commission's monitoring shall:

- a. Have a valid license from the Auditing Profession Council.
- b. Be a member of the Jordanian Auditors Association.
- c. Be classified in category (A) according to the auditors classification regulation in force.
- d. Have practiced the profession for at least 3 years at full time basis after obtaining license to practice auditing.

Have one or more partner or employee who meet the aforementioned requirements.

There is some clarification required on this point.

- Are foreign Auditing Firms required to comply with Items (a) through (b) before such Auditing Firm are approved to perform an audit on "...any entity subject to the Commission's monitoring..."?

#### **Chapter 8 (General Provisions)**

There does not appear to be any specific requirements in Article 2, Chapter 8 that mandate special and/or distinctive conditions for foreign entities as opposed to or in addition to those requirements for domestic entities. As stated, the requirements in Article 2, Chapter 8 are the same for all entities, both domestic and foreign.

It is requested that the JSC, based on its regulatory knowledge and experience, confirm the fact that there are no special requirements that apply to foreign entities that do not also apply to domestic entities.

■ Directives of Licensing Financial Services Companies and Certified Financial Professionals

Instructions on Licensing of Activities of Financial Services Companies and Certified Financial Professionals No. (1) for the Year 1999, Issued by the Board of Commissioners of the Securities Commission pursuant to Articles (9), (38) and (73) of the Securities Law No. (23) for the Year 1997

**NOTE: Information cited in the examples, below, are based on Directives that were issued under Instructions on Licensing of Activities of Financial Services Companies and Certified Financial Professionals No. (1) for the Year 1999, Issued by the Board of Commissioners of the Securities Commission pursuant to Articles (9), (38) and (73) of the Securities Law No. (23) for the Year 1997 Please add , delete or update information that has changed by virtue of the Securities Law No. 76 for the Year 2002**

Article (1)

There does not appear to be any specific requirements in Article 1 that mandate special and/or distinctive conditions for foreign entities as opposed to or in addition to those requirements for domestic entities. As stated, the requirements in Article 1 are the same for all entities, both domestic and foreign.

It is requested that the JSC, based on its regulatory knowledge and experience, confirm the fact that there are no special requirements that apply to foreign entities that do not also apply to domestic entities.

Article (2)

There does not appear to be any specific requirements in the Definitions Section of Article 2 that mandate special and/or distinctive conditions for foreign entities as opposed to or in addition to those requirements for domestic entities. As stated, the requirements in the Definition Section of Article 2 are the same for all entities, both domestic and foreign.

It is requested that the JSC, based on its regulatory knowledge and experience, confirm the fact that there are no special requirements that apply to foreign entities that do not also apply to domestic entities.

**Chapter 1 (Financial Services Companies)**

There does not appear to be any specific requirements in Article 2, Chapter 1 that mandate special and/or distinctive conditions for foreign entities as opposed to or in addition to those requirements for domestic entities. As stated, the requirements in the Article 2, Chapter 1 are the same for all entities, both domestic and foreign.

It is requested that the JSC, based on its regulatory knowledge and experience, confirm the fact that there are no special requirements that apply to foreign entities that do not also apply to domestic entities.

**Chapter 2 (Issue Management)**

There does not appear to be any specific requirements in Article 2, Chapter 2 that mandate special and/or distinctive conditions for foreign entities as opposed to or in addition to those requirements for domestic entities. As stated, the requirements in the Article 2, Chapter 2 are the same for all entities, both domestic and foreign.

It is requested that the JSC, based on its regulatory knowledge and experience, confirm the fact that there are no special requirements that apply to foreign entities that do not also apply to domestic entities.

**Chapter 3 (Investment Trusteeship)**

There does not appear to be any specific requirements in Article 2, Chapter 3 that mandate special and/or distinctive conditions for foreign entities as opposed to or in addition to those requirements for domestic entities. As stated, the requirements in the Article 2, Chapter 3 are the same for all entities, both domestic and foreign.

It is requested that the JSC, based on its regulatory knowledge and experience, confirm the fact that there are no special requirements that apply to foreign entities that do not also apply to domestic entities.

**Chapter 4 (Securities Deposit)**

There does not appear to be any specific requirements in Article 2, Chapter 4 that mandate special and/or distinctive conditions for foreign entities as opposed to or in addition to those requirements for domestic entities. As stated, the requirements in the Article 2, Chapter 4 are the same for all entities, both domestic and foreign.

It is requested that the JSC, based on its regulatory knowledge and experience, confirm the fact that there are no special requirements that apply to foreign entities that do not also apply to domestic entities.

**Chapter 5 (Certified Financial Professionals)**

There does not appear to be any specific requirements in Article 2, Chapter 5 that mandate special and/or distinctive conditions for foreign entities as opposed to or in addition to those requirements for domestic entities. As stated, the requirements in the Article 2, Chapter 5 are the same for all entities, both domestic and foreign.



It is requested that the JSC, based on its regulatory knowledge and experience, confirm the fact that there are no special requirements that apply to foreign entities that do not also apply to domestic entities.

### **Chapter 6 (General Provisions)**

There does not appear to be any specific requirements in Article 2, Chapter 6 that mandate special and/or distinctive conditions for foreign entities as opposed to or in addition to those requirements for domestic entities. As stated, the requirements in the Article 2, Chapter 6 are the same for all entities, both domestic and foreign.

It is requested that the JSC, based on its regulatory knowledge and experience, confirm the fact that there are no special requirements that apply to foreign entities that do not also apply to domestic entities.

### **5.e Trading – Cross-Border Trading: Market Regulation**

*The basic principle should be that national supervisory agencies must respect each other's efforts to assure that a securities market complies with generally accepted investor protection standards, such as disclosure, transparency and efficiency. This mutual recognition of each other's regulatory status and professional competence requires a good understanding of the mechanics and underlying approaches taken in that country.*

Cooperation between national securities regulators is an important issue to the WFE. In addition to the examples of legislative and regulatory cooperation provided, below, it would be beneficial if the JSC could provide specific examples of relationships maintained between the JSC and other country's securities regulators. Additionally, it would be advantageous if the JSC could provide a brief summary of the JSC's participation in IOSCO.

In Articles (12) and (23) of The Securities Law the cooperation of the JSC with international securities regulators and competent international bodies is expressly supported and required.

#### **Examples**

The Securities Law  
Temporary Law No. 76 for the Year 2002  
Chapter 2 The Securities Commission

**Article (12)**

The Board shall assume all the necessary authorities to achieve the Commission's objectives in accordance with the provisions of this Law, and carry out the responsibilities and authorities stipulated in accordance with its provisions, including the following:

- O- Establishing cooperation relations with Arab and foreign securities commissions and Arab, regional and international organizations specialized in capital markets;

**Article (23)**

At the request of any securities commission or foreign capital markets regulator, the Commission may support an investigation by that commission or regulator by providing information about Licensed Persons or their business or by carrying out an investigation itself.

**6. Clearing and Settlement**

*The clearing and settlement facilities provided by the Exchange, its subsidiaries or others must provide for the efficient, safe and prompt settlement of transactions within the internationally accepted standards of the G-30 and ISSA, or be better.*

*The Exchange will :*

- *make adequate arrangements for safe and timely clearing, and correct and final settlement of the transactions concluded on the market ;*
- *see to it that cross-border clearing and settlement activities are facilitated;*
- *contribute to the standardisation and implementation of securities industry processes;*
- *assure that ownership of securities should be explicitly embedded in national law. A well-defined system of laws relating to property, contracts, securities, trusts, bankruptcy and taxation should exist.*

## 6.a Clearing and Settlement - Facilities

*The clearing and settlement facilities provided by the Exchange, its subsidiaries or others must provide for the efficient, safe and prompt settlement of transactions within the internationally accepted standards of the G-30 and ISSA, or be better.*

Clearing and Settlement facilities in the Jordan capital market are provided, apart from the Amman Stock Exchange, by the Securities Depository Center (SDC), an independent facility

The legality and operational mandate of the SDC have been established under The Securities Law of 2002, under the Articles cited below, and in the Internal By-Laws and Operational Rules of the SDC.

The examples cited in this section, below, should be sufficient to support WFE compliance from the perspective of the JSC. The WFE Application, as submitted, will incorporate additional compliance material from the SDC's Internal By-Laws and Operational Rules.

### **Examples**

The Securities Law  
Temporary Law No. 76 for the Year 2002  
Chapter 8 The Securities Depository Center

#### ***Clearing and Settlement Facilities – Legal Foundation***

##### **Article (76)**

A Center known as the (Securities Depository Center) shall be established in the Kingdom. The Center shall be a non-profit public utility entity, and shall have a legal personality with administrative and financial autonomy. As such, it may acquire and dispose of movable and immovable property, and perform all legal acts to realize its objectives, including entering into contracts in its own name. The Center shall have the right to sue and be sued, and to appoint any attorney to represent it in legal proceedings.

#### ***Clearing and Settlement Facilities – Responsibilities***

##### **Article (77)**

A- The Center shall perform the following functions:

- 1- Register, safe-keep, and transfer ownership of securities;
- 2- Deposit securities;
- 3- Clear and settle securities.

- C- The Center shall be the only entity in the Kingdom authorized perform the functions stipulated in Paragraph (A) of this Article.

### ***Clearing and Settlement Facility – Organization & Operation***

#### **Article (80)**

The Center's organizational structure, areas of activity, membership conditions and requirements, and any fees it charges shall be specified in the by-laws and instructions issued thereby.

#### **Article (81)**

- A - Subject to the provisions of Article (5) of this Law, any Issuer shall register at the Center the securities issued thereby, in accordance with the instructions issued by the Center.
- B- The certificates of ownership of securities deposited at the Center shall be cancelled according to the instructions issued by the Center.
- C- Registration and transfer of ownership of securities traded on the Market and the price settlements of such securities between Brokers shall be by means of entries in the Center's records.
- D- The Center may accept electronic data from its members and from the Market in accordance with its issued by-laws and instructions.
- E- Unless otherwise proven, the entry records and the accounts maintained by the Center, whether manually or electronically, as well as any document issued by the Center, shall constitute *prima facie* legal evidence of ownership, registration, transfer of ownership and settlement of the securities, at the price and on the date stated in those records, accounts or documents.

### **6.b Clearing and Settlement - Facilities**

#### ***The Exchange will :***

- ***make adequate arrangements for safe and timely clearing, and correct and final settlement of the transactions concluded on the market ;***

The safe and timely clearing and correct and final settlement of transactions conducted on the market are mandated under The Securities Law, Chapter 8 – The Securities Depository Center, Articles (81)

#### ***Examples***

The Securities Law  
Temporary Law No. 76 for the Year 2002  
Chapter 8 The Securities Depository Center

**Article (81)**

D - Registration and transfer of ownership of securities traded on the Market and the price settlements of such securities between Brokers shall be by means of entries in the Center's records.

E - Unless otherwise proven, the entry records and the accounts maintained by the Center, whether manually or electronically, as well as any document issued by the Center, shall constitute *prima facie* legal evidence of ownership, registration, transfer of ownership and settlement of the securities, at the price and on the date stated in those records, accounts or documents.

**Article (82)**

D - The Center's by-laws and instructions shall be binding upon its members and the clients of those members who are Licensed Persons.

**Article (83)**

A- The by-laws and instructions of the Center, and any amendments thereto shall be submitted to the Board for approval prior to their being made effective, provided they include the following in particular:

1. The procedures for registration of securities, transfer of their ownership, and clearance and settlement of the trading contracts related thereto;
2. Specification of the rights and obligations of the parties involved in the securities clearing, settlement and ownership transfer processes;
3. The time of the vesting of rights of creditors of the parties to securities trades, including rights with respect to both the cash or cash equivalents and the securities involved, as a result of the process of sale, purchase or ownership transfer;
4. Information, data, and records that are considered confidential and the persons authorized to have access thereto, by virtue of their job;
5. Information, data and records that the Center must disclose and the information, data and records that are accessible to the public for viewing and copying;
6. Standards of professional conduct applicable to the members of the Center, members of the board of directors, to the executive manager and the Center's employees.

**THERE DOES NOT APPEAR TO BE SUBSTANTIAL ADDITIONAL INFORMATION REQUIRED FROM THE JSC RELATING TO THIS SEGMENT. HOWEVER, BASED ON ITS EXPERIENCE IN THE MARKETPLACE THE JSC IS WELCOME TO PROVIDE ANY DOCUMENTATION IT DEEMS APPROPRIATE AND HELPFUL.**

### 6.c Clearing and Settlement – Cross-Border Clearing and Settlement

*The Exchange will :*

- *see to it that cross-border clearing and settlement activities are facilitated;*

Currently, in the Jordanian capital market the operation of a Cross-Border is not specifically prohibited by law or by regulation. However, at the same time the operation of such a scheme is not defined in the Securities Law, the JSC Rules and Regulations, the Internal By-Laws of the ASE or the Internal By-Laws and Rules of Operation of the SDC.

**A COMPLETE RESPONSE TO THIS QUESTION WILL BE OBTAINED FROM THE ASE AND THE SDC. HOWEVER, BASED ON ITS EXPERIENCE IN THE MARKETPLACE THE JSC IS WELCOME TO ADD ANY ADDITIONAL INFORMATION THAT MIGHT PROVE HELPFUL.**

### 6.d Clearing and Settlement – Cross-Border Clearing and Settlement

*The Exchange will :*

- *be instrumental in the development of national central securities depositories, immobilisation, dematerialisation of securities, lending and borrowing contracts and arrangements;*

The JSC and the ASE have been instrumental in the development and implementation of a Central Securities Depository in Jordan.

Dematerialization and immobilization are specifically mandated for securities actively being bought and sold in the capital market by The Securities law of the Year 2002, Chapter 8 – The Securities Depository Center, Article (81).

#### **Article (81)**

- B - The certificates of ownership of securities deposited at the Center shall be cancelled according to the instructions issued by the Center.
- C- Registration and transfer of ownership of securities traded on the Market and the price settlements of such securities between Brokers shall be by means of entries in the Center's records.
- D- The Center may accept electronic data from its members and from the Market in accordance with its issued by-laws and instructions.

E- Unless otherwise proven, the entry records and the accounts maintained by the Center, whether manually or electronically, as well as any document issued by the Center, shall constitute *prima facie* legal evidence of ownership, registration, transfer of ownership and settlement of the securities, at the price and on the date stated in those records, accounts or documents.

**A COMPLETE RESPONSE TO THIS QUESTION WILL BE OBTAINED FROM THE SDC. HOWEVER, BASED ON ITS EXPERIENCE IN THE MARKETPLACE THE JSC IS WELCOME TO ADD ANY ADDITIONAL INFORMATION THAT MIGHT PROVE HELPFUL.**

#### 6.e Clearing and Settlement – Standardization

*The Exchange will :*

- *contribute to the standardisation and implementation of securities industry processes;*

The Securities Law of 2002, in mandating the use of the Securities Depository Center, has contributed significantly to the overall standardization of the security industry's processes in Jordan.

#### **Examples**

The Securities Law  
Temporary Law No. 76 for the Year 2002  
Chapter 1 - Definitions

#### **Article (5)**

Every Issuer in the Kingdom shall submit to the Commission an application for registering securities therewith in accordance with the instructions issued by the Board.

The Securities Law  
Temporary Law No. 76 for the Year 2002  
Chapter 8 The Securities Depository Center

#### **Article (76)**

A Center known as the (Securities Depository Center) shall be established in the Kingdom. The Center shall be a non-profit public utility entity, and shall have a legal personality with administrative and financial autonomy.

As such, it may acquire and dispose of movable and immovable property, and perform all legal acts to realize its objectives, including entering into contracts in its own name. The Center shall have the right to sue and be sued, and to appoint any attorney to represent it in legal proceedings.

#### **Article (77)**

A- The Center shall perform the following functions:

- 1- Register, safe-keep, and transfer ownership of securities;
- 2- Deposit securities;
- 3- Clear and settle securities.

B- The Center shall be the only entity in the Kingdom authorized to perform the functions stipulated in Paragraph (A) of this Article.

#### **Article (81)**

A - Subject to the provisions of Article (5) of this Law, any Issuer shall register at the Center the securities issued thereby, in accordance with the instructions issued by the Center.

### **6.f Clearing and Settlement – Securities Ownership**

*The Exchange will :*

- *assure that ownership of securities should be explicitly embedded in national law. A well-defined system of laws relating to property, contracts, securities, trusts, bankruptcy and taxation should exist.*

Ownership of securities is specified in The Securities Law of the Year 2002, Chapter 1 – Definitions, Articles (3), (4), (5) and (6), Chapter 7 – The Stock Exchange, Article (69) and Chapter 8 – The Securities Depository Center, Articles (76), (77), (81) and (86).

#### **Examples**

The Securities Law  
Temporary Law No. 76 for the Year 2002  
Chapter 1- Definitions

#### **Article (3)**

A- The term “Securities” shall mean any ownership, rights or any evidences local or foreign that are commonly recognized as securities and considered as such by the Board.

B- In particular, the term “Securities” shall include the following:

1. Transferable and tradable companies shares.
2. Bonds issued by companies.



3. Securities issued by the Government, official public institutions, public institutions, or municipalities.
4. Securities depository receipts.
5. Shares and investment units of Mutual Funds.
6. Equity option bonds.
7. Spot contracts and forward contracts.
8. Put and call option contracts.
9. Any right to acquire any of the aforementioned in Subparagraphs (1)-(8) of this Paragraph, subject to Board approval.

**Article (4)**

The following shall not be deemed as securities:

- A- Commercial papers including cheques and bills of exchange;
- B- Documentary credits, transfers and instruments exclusively traded among banks;
- C- Insurance policies and entitlements in pension funds for beneficiaries which are financed by other than the contributions .

**Article (5)**

Every Issuer in the Kingdom shall submit to the Commission an application for registering securities therewith in accordance with the instructions issued by the Board.

**Article (6)**

Notwithstanding what is stated in any other legislation, the provisions stipulated in this Law and the regulations, instructions and decisions issued pursuant thereto shall apply to company shares and other traded securities on the Market with respect the following matters:

- A- The rights of the parties arising out of the sale, purchase or transfer of securities;
- B- The method and specific form of registration of ownership rights and the legal effects thereof;
- C- The transfer of ownership rights and the rights arising from such transfer;
- D- The rights of the parties involved in the clearing, settlement and transfer;
- E- The rights of the creditors of the trading contract counter-parties arising during the process of the sale, purchase or transfer of securities including the rights relating to the securities and the monetary equivalents thereto.
- F- The conclusion and documentation of trading contracts and means of their proof and cancellation.
- G- The dealing in securities.

The Securities Law  
Temporary Law No. 76 for the Year 2002  
Chapter 7 The Stock Exchange

**Article (69)**

- A- A Financial Broker or Dealer shall not trade in securities of a Public Issuer except on a stock exchange, unless such a security is exempt from this condition by the Board.
- B- Trading on the Market shall be carried out only through trading contracts between Brokers, either on behalf of clients or for their own account. The contracts shall be recorded in the Market registers in accordance with the Market by-laws and instructions, which shall be binding upon all parties to the trading.
- C- The entry records of the Market registers and accounts, whether manual or electronic, as well as any document issued by the Market pursuant thereto, shall constitute *prima facie* legal evidence of the trade and date stated therein unless proven otherwise .

The Securities Law  
Temporary Law No. 76 for the Year 2002  
Chapter 8 The Securities Depository Center

**Article (76)**

A Center known as the (Securities Depository Center) shall be established in the Kingdom. The Center shall be a non-profit public utility entity, and shall have a legal personality with administrative and financial autonomy.

As such, it may acquire and dispose of movable and immovable property, and perform all legal acts to realize its objectives, including entering into contracts in its own name. The Center shall have the right to sue and be sued, and to appoint any attorney to represent it in legal proceedings.

**Article (77)**

- A- The Center shall perform the following functions:
  - 1- Register, safe-keep, and transfer ownership of securities;
  - 2- Deposit securities;
  - 3- Clear and settle securities.
- B- The Center shall be the only entity in the Kingdom authorized to perform the functions stipulated in Paragraph (A) of this Article.

**Article (81)**

- C- Registration and transfer of ownership of securities traded on the Market and the price settlements of such securities between Brokers shall be by means of entries in the Center's records.
- E- Unless otherwise proven, the entry records and the accounts maintained by the Center, whether manually or electronically, as well as any document issued by the Center, shall constitute *prima facie* legal evidence of ownership, registration, transfer of ownership and settlement of the securities, at the price and on the date stated in those records, accounts or documents.
- G- The respective rights and obligations of the seller of securities, of the purchaser thereof and of third parties thereto shall be established on the date of concluding the

contract at the Market.

H- The Center shall document the ownership of the sold securities and shall enter the transfer of their ownership in the Center's records , according to instructions issued thereby.

#### **Article (86)**

A- Notwithstanding what is stated in any other legislation, if a Financial Broker, Dealer or Center's member is subject to a bankruptcy, liquidation or sequestration order, the Center, before the commencement of the bankruptcy, liquidation, or sequestration proceedings pursuant to the legislation in force, and according to instructions issued thereby, shall take all appropriate measures to fulfill the settlement of any pending trading contracts to which such member was a party before issuance of that order. Such trading contracts, after the settlement thereof, shall be considered valid against Third parties.

This WFE requirement also necessitates that “... *A well-defined system of laws relating to property, contracts, securities, trusts, bankruptcy and taxation should exist*”

It is requested that the JSC provide a brief summary of laws currently in force in the Kingdom that govern:

- Property
- Contracts
- Trusts (if applicable and if not please so state)
- Bankruptcy, and
- Taxation

It is fully realized that such a body of law is very larger and comprehensive. It is sufficient for the WFE Application purposes to provide a brief statement establishing the fact that such laws exist and providing the name of each law. It is not required to provide details as to the extent of the law or any additional comment as to the relative merits of each law.

## **7. Technical Infrastructure**

*The market IT systems should maintain adequate capacity to meet the needs of market users. Back-up systems and contingency procedures to be followed in the event of an operational failure are to be maintained on a current, ready basis. Before implementation and on a periodic basis thereafter, the market and system interfaces should be subject to an objective risk assessment to identify vulnerabilities, which may exist in the system design, development, or implementation. These would include the risk of unauthorised access, internal failures, human errors, attacks and natural catastrophes.*

**THIS QUESTION IS INCLUDED IN THE QUESTIONNAIRES FOR THE ASE IT DEPARTMENT AND OPERATIONS DEPARTMENT.**

INFORMATION FOR THIS REQUIREMENT WILL BE OBTAINED FROM THE ASE IT DEPARTMENT AND OPERATIONS DEPARTMENT. HOWEVER, BASED ON ITS EXPERIENCE IN THE MARKETPLAVE THE JSC IS WELCOME TO ADD ANY ADDITIONAL INFORMATION THAT MIGHT PROVE HELPFUL.

## 8. Risk Management

*Regulators and the Exchange should consider any risk exposures pertinent to the system, including those arising from interaction with related financial systems, domestic or abroad. This would include the foreign exchange markets, derivative markets, the banking market and payment systems.*

*To assure the financial integrity of the market and the ability of its participants to fulfil their obligations as users, the Exchange should have in place risk management tools, such as position limits, margin requirements, minimum capital requirements, mark-to-market systems, etc.*

A SIGNIFICIENT PORTION OF INFORMATION FOR THIS REQUIREMENT WILL BE OBTAINED FROM THE ASE IT DEPARTMENT AND OPERATIONS DEPARTMENT.

COMPLIANCE INFORMATION FROM THE SECURITIES LAW AND THE JSC RULES AND REGULATIONS CONTAINED IN THE EXAMPLES PROVIDED, BELOW, SHOULD BE SUFFICIENT TO MEET THE JSC'S CONTRIBUTION. HOWEVER, BASED ON ITS EXPERIENCE IN THE MARKETPLAVE THE JSC IS WELCOME TO ADD ANY ADDITIONAL INFORMATION THAT MIGHT PROVE HELPFUL.

### Examples

The Securities Law  
Temporary Law No. 76 for the Year 2002  
Chapter 2 The Securities Commission

#### Article (8)

A- The Commission shall in particular aim to achieve the following:

1. Protecting investors in securities;
2. Regulating and developing the capital market to ensure fairness, efficiency and transparency;
3. Protecting the capital market from the risks that might face it.

B- In order to achieve its objectives, the Commission shall assume the following main responsibilities and authorities:

1. Regulating and monitoring the issuance of securities and dealing therein;
2. Insuring full and accurate disclosure by Issuers of the material information necessary to investors and relevant to the public issuance of securities.
3. Regulating and monitoring disclosure including the periodic reports prepared by Issuers.
4. Regulating licensing and registration, and monitoring the activities of Licensed and Registered Persons in the capital market.
5. Regulating and monitoring the Stock Exchange and Trading Markets in Securities.
6. Regulating and monitoring the Center.
7. Regulating Mutual Funds and Investment Companies.

#### **Article (21)**

A- The Board may conduct an investigation or a hearing to determine whether any person has violated or has taken preparatory measures to violate any provision of this Law or of the regulations, instructions or decisions issued pursuant thereto. An order for investigation shall indicate the nature of the suspected violation and shall set forth the scope of the authority to investigate. The notice for hearing shall indicate the nature of the suspected violation, and shall inform the respondent of the right to be heard and present evidence and shall fix a hearing date and time.

B- If the Board finds, after conducting the investigation or the hearing, that any person has violated or has taken preparatory measures to violate any provision of this Law or the regulations, instructions or decisions issued pursuant thereto, it may take one or more of the following measures:

1. Publish the investigation findings;
2. Issue an order requiring such person to cease and desist from committing, attempting to commit, or causing such violation, or requiring elimination of the violation, as the case may be;
3. Impose a monetary fine in accordance with Paragraph (A) of Article (22) of this Law;
4. Order the cessation of issuance of, or trading in any securities of which that person is the Issuer and to which the offence relates;
5. If the person is a Licensed or Registered Person, suspend or revoke the license or registration, as the case may be.

**Article (22)**

A- The Board may impose monetary fines of no more than JD 50,000 (Fifty thousand Jordan Dinars) on any person in any of the following cases:

1. If the person violates the provision of this Law and the regulations, instructions and decisions issued pursuant thereto;
2. If the person willfully aids, abets, counsels or commands any other person to commit the violation;
3. If the person makes, or causes to be made, in any application or report to be filed with the Commission, any information which is false or misleading with respect to any material fact, or has omitted to state in any such application or report any material fact that should have been stated.

The Securities Law  
Temporary Law No. 76 for the Year 2002  
Chapter 6 Licensing, Registration and Monitoring

***Participant Bank Guarantee***

**Article (50)**

The Board may require the Licensed Person to provide unconditional bank guarantees or any other acceptable guarantees so as to secure the Licensed Person's obligations to its clients dealing in securities and ensure its compliance with the provisions of this Law and the regulations, instructions and decisions issued pursuant thereto. The Board may liquidate the guarantees and dispose of the guarantees as it deems appropriate.

***Participant Record Keeping***

**Article(54)**

- A- The Board shall issue the instructions and decisions specifying the records to be maintained and kept by the Licensed Persons and such Person's obligation to submit any copies thereof requested by the Commission.
- B- The Commission employees authorized by the Chairman, may at any time inspect and view the records mentioned in Paragraph (A) of this Article periodically or whenever necessary to protect the investors and ensure public interest.
- C- Licensed Persons must maintain accounting records in accordance with accepted accounting standards.

***Participant Segregation of Assets***

**Article (55)**

Notwithstanding what is stated in any other legislation:

- A- The Licensed Person shall segregate client's moneys and securities that are considered a civil deposit therewith from its own moneys and securities, in accordance with the conditions specified by the Board which should be included in the agreements concluded with the clients.

- B- Except where otherwise determined by the Board pursuant to instructions issued thereby, money and assets that belong to clients and held by a Licensed Person shall not, under any circumstances, be available to distribute to the creditors of the Licensed Person in the event of the Licensed Person's insolvency or default.

The Securities Law  
Temporary Law No. 76 for the Year 2002  
Chapter 7 The Stock Exchange

***Stock Exchange Requirements***

**Article (67)**

- A- 1. A Trading Market in Securities shall be licensed as a Stock Exchange in accordance with the provisions of this Law and the instructions issued by the Board in this regard.
2. An application to license a Trading Market in Securities as a Stock Exchange shall be filed with the Commission, and shall have enclosed therewith its by-laws and instructions governing its activities and such other information and documents as the Board may deem necessary or appropriate for the protection of investors or in the public interest.
- B- A Trading Market in Securities shall not be licensed as a Stock Exchange unless the Board determines that such a Trading Market is organized and has the capacity to enforce compliance by its members and persons associated with its members with the provisions of this Law and the regulations, instructions and decisions issued pursuant thereto, and with its own by-laws and instructions.

The Securities Law  
Temporary Law No. 76 for the Year 2002  
Chapter 9 Settlement Guarantee Fund

**Article (90)**

- A- A fund known as (The Settlement Guarantee Fund) shall be established at the Center, and shall have a legal personality with financial autonomy. The Fund shall be administered by the Center.
- B- Membership in the Fund shall be mandatory for Financial Brokers, Dealers and any other entity specified in the Fund's bylaws.
- C- In particular, the Fund shall have as its objectives the following:
1. Covering the cash deficit of Fund members in connection with their purchases of securities;
  2. Covering the deficits in the securities account of Fund members in connection with sales of securities on the Stock Exchange.

Jordan Securities Commission – Rules and Regulation

**NOTE: Information cited in the examples, below, are based on the JSC Rules and Regulations by virtue of the Securities Law (23) for the Year 1997. Please add , delete or update information that has changed by virtue of the Securities Law No. 76 for the Year 2002**

**Directives for Licensing Financial Services Companies  
and  
Certified Financial Professionals**

Instructions on Licensing of Activities of Financial Services Companies and Certified Financial Professionals No. (1) for the Year 1999, Issued by the Board of Commissioners of the Securities Commission pursuant to Articles (9), (38) and (73) of the Securities Law No. (23) for the Year 1997

- Directives for Licensing Financial Services Companies and Certified Financial Professionals

**Chapter 1 Financial Services Companies**

**Article (19)**

- a. The company shall maintain books and accounting records and the records necessary to carry out its activities in an organized and accurate manner, and in accordance with the recognized accounting standards and the instructions issued by the Board.

The books and records referred to in Paragraph (a) of this Article may be maintained electronically or by any other permitted means subject to the following:

1. Appropriate, necessary and preventive measures are taken to ensure the integrity and the security of information.
2. The said information and data shall be easily accessible and in clear and accurate format, within a reasonable time to any person entitled to examine or view such records.

**Article (20)**

- a. The company shall set out in writing work procedures for dealing with clients, which reflect due diligence, and allow it to serve its clients well. The company shall also take all necessary measures to oversee such procedures, provided this is done in accordance with the regulations and instructions issued for this purpose.



The procedures referred to in Paragraph (a) of this Article shall assign a partner, a member of the Board of Directors or a designee of the company to approve opening new accounts and supervise dealings on behalf of said client. Branch managers shall assume this responsibility in their branches.

**NOTE:** The JSC Rules and Regulations on Margin Finance Instructions were not available to download from the JSC website. Please include the Margin Finance Instructions in the JSC's response or attach a copy of the Margin Finance Instructions to the JSC's Response.

## **9. The Settlement of Disputes, Dealing with Complaints of Investors, and Arbitration Facilities**

*The Exchange should put facilities in place which offer effective treatment of disputes and complaints from investors regarding the behaviour and business conduct of intermediaries. These should be as simple and expeditious as possible, within the limitations of national law.*

**THE MAJORITY OF INFORMATION FOR THIS REQUIREMENT WILL BE OBTAINED FROM APPROPRIATE DEPARTMENTS OF THE ASE.**

### **Examples**

The Securities Law  
Temporary Law No. 76 for the Year 2002  
Chapter 7 The Stock Exchange

#### **Article (67)**

- B- A Trading Market in Securities shall not be licensed as a Stock Exchange unless the Board determines that such a Trading Market is organized and has the capacity to enforce compliance by its members and persons associated with its members with the provisions of this Law and the regulations, instructions and decisions issued pursuant thereto, and with its own by-laws and instructions.
- C- The by-laws and instructions of a Trading Market in Securities shall provide for the following:
2. Ensuring fairness, efficiency and transparency and preventing fraud, Deception and Prohibited Acts, fostering cooperation and coordination with entities working in the capital market and protecting investors;

3. Laying down fair principles for any differentiation between clients, Issuers, Financial Brokers or Dealers;
4. Imposing disciplinary sanctions upon its members and persons associated therewith for violation of the provisions of this Law and the regulations, instructions and decisions issued pursuant thereto and the provisions of the by-laws and instructions of the Trading Market in Securities;
5. Applying equitable and fair trading procedures;
6. Barring any unjustified or inadequate restraints on competition;
7. Establishing standards of training, experience and administrative competence for its members and persons employed by such members, and disciplinary measures against those who do not satisfy such;

## 10. Supervision, Surveillance & Enforcement

*The Exchange must assure that mechanisms are in place to ensure that the information necessary to conduct adequate surveillance of the market for supervisory and enforcement purposes is available on a timely basis. The securities regulatory agency must be established with broad inspection and enforcement authority, and adequate oversight over the players in the market.*

*Its enforcement of applicable regulations must be transparent. In case of a division of regulatory responsibilities between the Exchange and the regulator, the responsibilities and powers of each party should be formalised and cover the entire area to be supervised*

*Markets, which have a separate banking supervisor, should have a clear separation of responsibilities, in the event that banks may be actors on the securities markets. Regulatory co-ordination between the regulators should be fostered.*

*The Exchange should report to the regulator when it becomes aware that reasonable grounds exist to suspect that a market user may have violated the jurisdiction's laws, or its internal rules and regulations.*

*Records made or received by the Exchange stemming from the operation of its trading system, relating to financial statements, and data regarding indications of market interest, quotations, orders, and trades in the system itself should all be preserved for a reasonable period of time, in most instances meaning many years. These should be furnished promptly upon request by the relevant regulator.*

**10.a Supervision, Surveillance and Enforcement – Information**

*The Exchange must assure that mechanisms are in place to ensure that the information necessary to conduct adequate surveillance of the market for supervisory and enforcement purposes is available on a timely basis.*

This WFE compliance requirement concerns the capacity and capability of an Exchange to identify, store and provide market surveillance information in a timely and efficient manner. As stated, below, the majority of compliance supporting information for this requirement will be provided by appropriate departments of the ASE.

However, there is a portion of compliance support information that is contained in The Securities Law of 2002. The examples provided from The Securities Law of 2002 should be sufficient to meet the JSC's purposes. However, as with other compliance information it is requested that the JSC, based on its experience in the marketplace, provide any additional information that in the opinion of the JSC may be helpful in supporting the capital market's compliance.

**THE MAJORITY OF INFORMATION FOR THIS REQUIREMENT WILL BE OBTAINED FROM APPROPRIATE DEPARTMENTS OF THE ASE.**

**Examples**

The Securities Law  
Temporary Law No. 76 for the Year 2002  
Chapter 2 The Securities Commission

**Article (8)**

A- The Commission shall in particular aim to achieve the following:

1. Protecting investors in securities;
2. Regulating and developing the capital market to ensure fairness, efficiency and transparency;
3. Protecting the capital market from the risks that might face it.

B- In order to achieve its objectives, the Commission shall assume the following main responsibilities and authorities:

5. Regulating and monitoring the Stock Exchange and Trading Markets in Securities.
6. Regulating and monitoring the Center.

**Article (15)**

- A- The following shall be subject to the Commission's monitoring and supervision in accordance with the provisions of this Law and the regulations, instructions and decisions issued pursuant thereto:
1. Issuers;
  2. Licensed Persons;
  3. Registered Persons;.
  4. The Market;
  5. The Center;
  6. Mutual Funds and Investment Companies.
- B- The entities referred to in Paragraph (A) of this Article shall be subject to inspection and to the auditing of its documents, records and registers by the competent entity within the Commission legally authorized to do so.
- C- To realize the purposes of this Law and the regulations, instructions and decisions issued pursuant thereto, the documents, records and registers, wherever mentioned, shall include the bank statements, correspondence, memoranda, documents, computer files, or any other means for filing information and data whether written or electronic.

The Securities Law  
Temporary Law No. 76 for the Year 2002  
Chapter 7 The Stock Exchange

**Article (65)**

- G- The Amman Stock Exchange shall be subject to monitoring, supervision and inspection by the Commission, which may also audit the Amman Stock Exchange's registers.

**Article (67)**

- B- A Trading Market in Securities shall not be licensed as a Stock Exchange unless the Board determines that such a Trading Market is organized and has the capacity to enforce compliance by its members and persons associated with its members with the provisions of this Law and the regulations, instructions and decisions issued pursuant thereto, and with its own by-laws and instructions.

**Article (69)**

- A- A Financial Broker or Dealer shall not trade in securities of a Public Issuer except on a stock exchange, unless such a security is exempt from this condition by the Board.
- B- Trading on the Market shall be carried out only through trading contracts between Brokers, either on behalf of clients or for their own account. The contracts shall be recorded in the Market registers in accordance with the Market by-laws and instructions, which shall be binding upon all parties to the trading.

- C- The entry records of the Market registers and accounts, whether manual or electronic, as well as any document issued by the Market pursuant thereto, shall constitute *prima facie* legal evidence of the trade and date stated therein unless proven otherwise .

### 10.b Supervision, Surveillance and Enforcement – Transparency

*Its enforcement of applicable regulations must be transparent. In case of a division of regulatory responsibilities between the Exchange and the regulator, the responsibilities and powers of each party should be formalised and cover the entire area to be supervised*

In order to comply with this WFE requirement it is necessary to provide evidence under The Securities Law and the Rules and Regulations of the JSC that there is a clear division between the regulatory powers and scope of the JSC and the self-regulatory powers and scope of the ASE. As stated, below, the majority of compliance supporting information for this requirement will be provided by appropriate departments of the ASE.

However, there is a portion of compliance support information that is contained in The Securities Law of 2002. The examples provided from The Securities Law of 2002 should be sufficient to meet the JSC's purposes. However, as with other compliance information it is requested that the JSC, based on its experience in the marketplace, provide any additional information that in the opinion of the JSC may be helpful in supporting the capital market's compliance.

**THE MAJORITY OF INFORMATION FOR THIS REQUIREMENT WILL BE OBTAINED FROM APPROPRIATE DEPARTMENTS OF THE ASE.**

#### **Examples**

The Securities Law  
Temporary Law No. 76 for the Year 2002  
Chapter 2 The Securities Commission

### ***Securities Commission's Responsibilities***

#### **Article (7)**

- A- A Commission known as the (Securities Commission) shall be established, and shall have a legal personality with financial and administrative autonomy. As such, the Commission may acquire movable and immovable property and perform all legal acts necessary to achieve its objectives, including concluding contracts, borrowing, accepting assistance, gifts and donations. The Commission shall have the right to sue and be sued, and may be represented in legal proceedings by the Civil Attorney General or any attorney it appoints for this purpose.

**Article (8)**

A- The Commission shall in particular aim to achieve the following:

1. Protecting investors in securities;
2. Regulating and developing the capital market to ensure fairness, efficiency and transparency;
3. Protecting the capital market from the risks that might face it.

B- In order to achieve its objectives, the Commission shall assume the following main responsibilities and authorities:

1. Regulating and monitoring the issuance of securities and dealing therein;
2. Insuring full and accurate disclosure by Issuers of the material information necessary to investors and relevant to the public issuance of securities.
3. Regulating and monitoring disclosure including the periodic reports prepared by Issuers.
4. Regulating licensing and registration, and monitoring the activities of Licensed and Registered Persons in the capital market.
5. Regulating and monitoring the Stock Exchange and Trading Markets in Securities.
6. Regulating and monitoring the Center.
7. Regulating Mutual Funds and Investment Companies.

**Article (12)**

The Board shall assume all the necessary authorities to achieve the Commission's objectives in accordance with the provisions of this Law, and carry out the responsibilities and authorities stipulated in accordance with its provisions, including the following:

A- Formulating the Commission's general policy and drawing up the programs necessary for its implementation;

B- Approving the trading of any security outside the Market;

C- Approving the listing of any Jordanian security on any trading markets in securities outside the Kingdom;

D- Rejecting applications for the registration of securities, or ceasing or prohibiting any issuance thereof;

E- Suspending or ceasing dealings in any security for the period it deems appropriate;

F- Approving the establishment and registration of Mutual Funds;

G- Granting the license and registration issued pursuant to the provisions of this Law;

H- Restricting, suspending, ceasing or canceling, for the period it deems necessary, the licensing or registration granted to any person ;

- I- Renewing or declining the renewal of the license or registration granted to any person;
- J- Setting the fees for issuing licenses or registrations or for renewals thereof;
- K- Approving the services fees, charges and commissions, charged by the Market and the Center pursuant to their respective bylaws;
- L- Setting the minimum and maximum limits of commissions which the Financial Services Companies and Licensed Persons may charge their clients;
- M- Adopting the accounting, auditing and performance evaluation standards to be followed by the parties subject to the Commission's monitoring;
- N- Setting the standards and eligibility conditions required for auditors qualified to audit the accounts of the entities subject to the Commission's monitoring and supervision;
- O- Establishing cooperation relations with Arab and foreign securities commissions and Arab, regional and international organizations specialized in capital markets;
- P- Reviewing the decisions issued by the Market and the Center and terminating their implementation of any of them;
- Q- Issuing the required instructions for administering the Commission, and any other instructions or decisions to implement the provisions of this Law and the regulations issued pursuant thereto, or amending or repealing such;
- R- Preparing draft laws and regulations related to securities;
- S- Preparing the Commission's annual budget and submitting it to the Council of Ministers for endorsement;
- T- Any other matters that the Chairman presents to the Board.

**Article (15)**

- A- The following shall be subject to the Commission's monitoring and supervision in accordance with the provisions of this Law and the regulations, instructions and decisions issued pursuant thereto:
  - 1. Issuers;
  - 2. Licensed Persons;
  - 3. Registered Persons;.
  - 4. The Market;
  - 5. The Center;
  - 6. Mutual Funds and Investment Companies.
- B- The entities referred to in Paragraph (A) of this Article shall be subject to inspection and to the auditing of its documents, records and registers by the competent entity within the Commission legally authorized to do so.

- C- To realize the purposes of this Law and the regulations, instructions and decisions issued pursuant thereto, the documents, records and registers, wherever mentioned, shall include the bank statements, correspondence, memoranda, documents, computer files, or any other means for filing information and data whether written or electronic.

**Article (17)**

- A- The Commission may, through the competent entity therein, conduct any investigation, inspection or auditing to determine if any person has violated or has taken preparatory measures to violate any of the provisions of this Law or the regulations, instructions and decisions issued pursuant thereto.
- B- The Commission may investigate, through the competent entity therein, any information, circumstances or practices it deems necessary and appropriate for the implementation of the provisions of this Law and the regulations, instructions and decisions issued pursuant thereto.
- C- The Commission, through the competent entity therein, and for the purpose of carrying out the investigations referred to in Paragraphs (A) and (B) of this Article, may carry out any of the following:
1. Audit and make copies of the documents, records and registers of any Licensed or Registered Person, or any entity subject to Commissions monitoring and supervision, and inspect such with or without a prior notice;
  2. Summon witnesses to testify under oath, and to submit any documents and papers pertaining to the investigated matter.

**Article (21)**

- A- The Board may conduct an investigation or a hearing to determine whether any person has violated or has taken preparatory measures to violate any provision of this Law or of the regulations, instructions or decisions issued pursuant thereto. An order for investigation shall indicate the nature of the suspected violation and shall set forth the scope of the authority to investigate. The notice for hearing shall indicate the nature of the suspected violation, and shall inform the respondent of the right to be heard and present evidence and shall fix a hearing date and time.

**Article (22)**

- A- The Board may impose monetary fines of no more than JD 50,000 (Fifty thousand Jordan Dinars) on any person in any of the following cases:



1. If the person violates the provision of this Law and the regulations, instructions and decisions issued pursuant thereto;
2. If the person willfully aids, abets, counsels or commands any other person to commit the violation;
3. If the person makes, or causes to be made, in any application or report to be filed with the Commission, any information which is false or misleading with respect to any material fact, or has omitted to state in any such application or report any material fact that should have been stated.

The Securities Law  
Temporary Law No. 76 for the Year 2002  
Chapter 2 The Securities Commission

***Stock Exchange's Responsibilities***

**Article (65)**

- A- A Stock Exchange known as the Amman Stock Exchange shall be established in the Kingdom, and shall have a legal personality with financial and administrative autonomy. As such, it may acquire and dispose of movable and immovable property to achieve its objectives, carry out all legal acts, enter into contracts and shall have the right to sue and be sued and to authorize any attorney to act on its behalf in legal proceedings.
- G- The Amman Stock Exchange shall be subject to monitoring, supervision and inspection by the Commission, which may also audit the Amman Stock Exchange's registers.

**Article (67)**

- A- 1. A Trading Market in Securities shall be licensed as a Stock Exchange in accordance with the provisions of this Law and the instructions issued by the Board in this regard.
2. An application to license a Trading Market in Securities as a Stock Exchange shall be filed with the Commission, and shall have enclosed therewith its by-laws and instructions governing its activities and such other information and documents as the Board may deem necessary or appropriate for the protection of investors or in the public interest.
- B- A Trading Market in Securities shall not be licensed as a Stock Exchange unless the Board determines that such a Trading Market is organized and has the capacity to enforce compliance by its members and persons associated with its members with the provisions of this Law and the regulations, instructions and decisions issued pursuant thereto, and with its own by-laws and instructions.

C- The by-laws and instructions of a Trading Market in Securities shall provide for the following:

1. Charging its members, Issuers and other persons using its facilities any fees and charges in a fair and reasonable manner;
2. Ensuring fairness, efficiency and transparency and preventing fraud, Deception and Prohibited Acts, fostering cooperation and coordination with entities working in the capital market and protecting investors;
3. Laying down fair principles for any differentiation between clients, Issuers, Financial Brokers or Dealers;
4. Imposing disciplinary sanctions upon its members and persons associated therewith for violation of the provisions of this Law and the regulations, instructions and decisions issued pursuant thereto and the provisions of the by-laws and instructions of the Trading Market in Securities;
5. Applying equitable and fair trading procedures;
6. Barring any unjustified or inadequate restraints on competition;
7. Establishing standards of training, experience and administrative competence for its members and persons employed by such members, and disciplinary measures against those who do not satisfy such;
8. Assuring the financial adequacy of its members and for monitoring such.

**Article (68)**

A- The Stock Exchange may conduct, or have the Commission conduct on its behalf, such audits and investigations of its members and of trading therein to determine whether its by-laws or instructions, or the provisions of this Law or the regulations, instructions or decisions issued pursuant thereto have been violated. Such investigations shall be conducted in accordance with the instructions set by the Market in a manner that will provide safeguards for the rights of members during the course of investigations.

**Article (70)**

A- The Market may stipulate membership requirements and conditions, and may refuse the application of any person to become a member or bar him from being employed by a member, if such a person does not meet the standards of training, experience, and competence prescribed by the Market's by-laws and instructions, or if he commits a violation of the provisions of this Law and the regulations, instructions and decisions issued pursuant thereto.

- C- The Market shall specify the violations by members or persons associated therewith which are subject to disciplinary measures, and shall notify the member or the said person of the charge, provide such member with the opportunity to be heard, and keep minutes of the hearing. A determination by the Market to impose a disciplinary sanction shall include the following:
1. any act or practice which such member or the person associated therewith has been found to have engaged in, or which such member or person has been found to have omitted;
  2. the specific provisions of this Law and the regulations, instructions and decisions issued pursuant thereto, and the provisions of the Market by-laws and instructions which the member or the person associated therewith has violated;
  3. the investigation's findings, the sanctions imposed and the reasons therefore.

**Article (71)**

- A- The by-laws and instructions of the Market shall be legally binding upon the members and their clients .
- B- A member shall sign a written commitment upon becoming a member of the Market pursuant to which he undertakes to comply with the Market's by-laws and instructions.
- C- Default in the payment of dues and fees by any member, is deemed a violation of the Market by-laws and instructions and may subject the member to sanctions including fines.

**Article (72)**

- B- Every public shareholding company established in the Kingdom, and every Public Issuer in the Kingdom, is required to apply for listing of its outstanding securities for trading on the Market.
- C- No Jordanian Issuer shall list its securities on a stock exchange or trading market in securities outside the Kingdom without the Board's prior approval.
- D- The Market shall specify in its by-laws and instructions the different sets of standards and conditions for securities to be admitted to trading or listing. The Market may provide for a distinction between listed securities and those admitted to trading. All securities of an Issuer of the same class and type shall be admitted to trading on the same basis.
- E- The by-laws and instructions of the Market pertaining to the admission of securities to trading or listing shall provide that the Issuer is required to enter into binding agreements with both the Market and the Center pursuant to which the respective rights and obligations of the Issuer, the Market and the Center shall be established.

**Article (73)**

- A- The by-laws and instructions of the Market, and any amendments or revisions thereto shall be submitted to the Board for approval prior to their being made effective, and the Board may introduce any amendments thereto.

**Article (74)**

- A- The Market shall charge the commissions, fees and any charges provided for in its by-laws.
- B- The Market may impose fines in accordance with provisions of its by-laws and instructions.
- C- Fines imposed in accordance with the provisions of Paragraph (B) of this Article shall devolve upon the Market.

**10.c Supervision, Surveillance and Enforcement – Separation of Powers**

*Markets, which have a separate banking supervisor, should have a clear separation of responsibilities, in the event that banks may be actors on the securities markets. Regulatory co-ordination between the regulators should be fostered.*

In order to comply with this WFE requirement it is necessary to demonstrate that there is a clear separation of regulatory responsibilities between the securities markets regulator and the Central Bank as a financial market regulator.

The examples, below, should be sufficient to demonstrate the regulatory separation under The Securities Law of 2002. However, as with other compliance information it is requested that the JSC, based on its experience in the marketplace, provide any additional information that in the opinion of the JSC may be helpful in supporting the capital market's compliance.

Information in the examples, below, are intended to evidence the fact that under The Securities Law the authority, scope and responsibilities of the JSC are clearly stated so as to establish a well-defined separation of regulatory authority between the JSC and the Central Bank of Jordan.

**Examples**

The Securities Law  
Temporary Law No. 76 for the Year 2002  
Chapter 1 Definitions

**Securities Regulator - Definitions Under Law\*****Article (2)**

The following words and phrases wherever mentioned in this Law shall have the meanings ascribed thereto hereunder unless the context indicates otherwise:

The Commission :	The Securities Commission.
The Board :	The Board of Commissioners of the Commission.
The Chairman :	The Chairman of the Board.
The Trading Market In Securities:	Any organized market or periodic or continuous use of media of public communication to enable trading of securities and financial assets.
The Market/ Stock Exchange:	The Amman Stock Exchange or any Trading Market in Securities licensed by the Commission in accordance with the provisions of this Law.
Financial Broker :	Any person engaged in the business of buying and selling securities for the account of others.
Dealer :	Any person engaged in the business of buying and selling securities directly for his own account through the Market.
Investment Trustee :	Any legal person engaged in the business of administering and monitoring the management of a client's investments so as to ensure their conformity with the client's investment principles and objectives specified in the investment agreement concluded between the client and the Investment Manager.
Investment Manager :	Any person engaged in the business of managing securities portfolios for the account of others, including the management of Mutual Funds.
Financial Advisor :	Any person engaged in the business of providing advice with respect to securities investment to others for a fee, charge or commission.
Underwriter :	Any legal person engaged in the business of administering the issuance and marketing of securities on behalf of the Issuer.

\* Definitions from The Securities Law of 2002 are cited in order to illustrate the fact that the JSC as the securities regulator is distinctive and apart from any other regulator in the Kingdom and operates under a set of definitions particular to the securities market.

Financial Services  
Company:

Any legal person engaged in the business of performing services as a financial Broker, Dealer, Investment Trustee, Investment Manager, Financial Advisor, Underwriter, or any combination of these functions, or any other service specified by the Commission pursuant to this Law and the regulations, instructions and decisions issued pursuant thereto.

Custodian :

Any legal person engaged in the business of providing safe custody for securities.

Licensed Person :

Any person licensed by the Commission in accordance with the provisions of this Law.

Registered Person :

Any natural person who is a member of the board of directors or the board of executives, or director, manager or employee of a Financial Services Company, or any person occupying a similar status or performing similar functions at a Financial Broker, Dealer, Investment Trustee, Investment Manager, Financial Advisor, Underwriter or Financial Services Company. The term excludes any person whose functions are solely clerical, supporting services or unrelated to the conduct of any business in securities.

Issuer :

Any legal person issuing or announcing the intention to issue securities.

Public Issuer :

Any Issuer who has filed a prospectus that has become effective with the Commission.

Public Offer :

Any bid for the sale of any security to more than 30 persons of the public, including public issuance and public subscription.

Public Take-over Bid :

Any bid for the purchase or exchange of 40 % or more of the securities of one Issuer.

Mutual Fund :

A fund established under, and operating in accordance with the provisions of this Law and the regulations, instructions and decisions issued pursuant thereto, in order to invest in a portfolio of securities or other financial assets for the purpose of providing professional management of a collective investment on behalf of its shares or investment units holders.

Investment Company :	A company whose principal activity is investing and trading in securities, or one which owns or intends to own more than 50% of its total assets in the form of securities. This does not include banks or insurance companies performing banking or insurance business as such.
Shared Investment Account:	An account that combines the investments of more than one person for the purposes of the account administration.
Material Fact :	Any event or datum that, to a reasonable person, Would have an effect in making a decision to buy, hold, sell or dispose of a security.
Prohibited Act :	Any action, practice, scheme, course of conduct, Or device forbidden in this Law or the regulations, instructions or decisions issued pursuant thereto.
Misrepresentation :	Any untrue statement of a material fact, or any omission or concealment of a material fact or any other datum required to ensure that a statement made is true and accurate.
Deception :	An act, scheme, device, practice or course of conduct likely to have the effect of misleading others or intended to mislead them.
Control :	The ability to effectively influence, directly or indirectly, the actions and decisions of another person.
Affiliate :	The person who controls another person or is controlled by that other person, or who, together with that person is controlled by the same person.
Inside Information :	Information relating to one or several Issuers or to one or several securities which has not been made public and which, if it were made public, would likely affect the price of any such security. This does not include inferences drawn on the basis of economic and financial studies, research and analysis.
Insider :	A person who possesses Inside Information by virtue of his position or job.
Trading Contract :	A contract on the basis of which securities are purchased and sold.
Dealing :	The registration, issuance, subscription, promotion, marketing, custody, listing, depositing, trading, settlement, purchase from Issuer, public offer or public takeover bid of securities or the financing of dealing therein, or the lending, borrowing, short sale or hypothecation thereof or any other activity approved by the Board.

Clearance :	The process of computing the net rights and obligations of trading counter-parties arising from a trading contract, in order to deliver the securities or settle their price payments on the specified settlement date.
Settlement :	The process by which a trading contract is completed with the final, unconditional transfer of securities from the seller to the buyer and the final settlement of price payments in their respect.
Delivery Versus Payment:	A method of settlement according to which the securities are delivered in exchange for price payment.
The Competent Court :	The Amman Court of First Instance.
Relatives :	Husband, wife and under age children.

***Securities Regulator - Scope***

**Article (3)**

A- The term “Securities” shall mean any ownership, rights or any evidences local or foreign that are commonly recognized as securities and considered as such by the Board.

B- In particular, the term “Securities” shall include the following:

1. Transferable and tradable companies shares.
2. Bonds issued by companies.
3. Securities issued by the Government, official public institutions, public institutions, or municipalities.
4. Securities depository receipts.
5. Shares and investment units of Mutual Funds.
6. Equity option bonds.
7. Spot contracts and forward contracts.
8. Put and call option contracts.
9. Any right to acquire any of the aforementioned in Subparagraphs (1)-(8) of this Paragraph, subject to Board approval.

**Article (4)**

The following shall not be deemed as securities:

- A- Commercial papers including cheques and bills of exchange;
- B- Documentary credits, transfers and instruments exclusively traded among banks;
- C- Insurance policies and entitlements in pension funds for beneficiaries which are financed by other than the contributions .



**Article (6)**

Notwithstanding what is stated in any other legislation, the provisions stipulated in this Law and the regulations, instructions and decisions issued pursuant thereto shall apply to company shares and other traded securities on the Market with respect the following matters:

- A- The rights of the parties arising out of the sale, purchase or transfer of securities;
- B- The method and specific form of registration of ownership rights and the legal effects thereof;
- C- The transfer of ownership rights and the rights arising from such transfer;
- D- The rights of the parties involved in the clearing, settlement and transfer;
- E- The rights of the creditors of the trading contract counter-parties arising during the process of the sale, purchase or transfer of securities including the rights relating to the securities and the monetary equivalents thereto.
- F- The conclusion and documentation of trading contracts and means of their proof and cancellation.
- G- The dealing in securities.

***Securities Regulator – Accountability*****Article (7)**

- A- A Commission known as the (Securities Commission) shall be established, and shall have a legal personality with financial and administrative autonomy. As such, the Commission may acquire movable and immovable property and perform all legal acts necessary to achieve its objectives, including concluding contracts, borrowing, accepting assistance, gifts and donations. The Commission shall have the right to sue and be sued, and may be represented in legal proceedings by the Civil Attorney General or any attorney it appoints for this purpose.
- B- The Commission shall report to the Prime Minister.

**Article (8)**

- A- The Commission shall in particular aim to achieve the following:
  - 1. Protecting investors in securities;
  - 2. Regulating and developing the capital market to ensure fairness, efficiency and transparency;
  - 3. Protecting the capital market from the risks that might face it.
- B- In order to achieve its objectives, the Commission shall assume the following main responsibilities and authorities:
  - 1. Regulating and monitoring the issuance of securities and dealing therein;
  - 2. Insuring full and accurate disclosure by Issuers of the material information necessary to investors and relevant to the public issuance of securities.

3. Regulating and monitoring disclosure including the periodic reports prepared by Issuers.
4. Regulating licensing and registration, and monitoring the activities of Licensed and Registered Persons in the capital market.
5. Regulating and monitoring the Stock Exchange and Trading Markets in Securities.
6. Regulating and monitoring the Center.
7. Regulating Mutual Funds and Investment Companies.

***Securities Regulators - Objectives*****Article (12)**

The Board shall assume all the necessary authorities to achieve the Commission's objectives in accordance with the provisions of this Law, and carry out the responsibilities and authorities stipulated in accordance with its provisions, including the following:

- A- Formulating the Commission's general policy and drawing up the programs necessary for its implementation;
- B- Approving the trading of any security outside the Market;
- C- Approving the listing of any Jordanian security on any trading markets in securities outside the Kingdom;
- D- Rejecting applications for the registration of securities, or ceasing or prohibiting any issuance thereof;
- E- Suspending or ceasing dealings in any security for the period it deems appropriate;
- F- Approving the establishment and registration of Mutual Funds;
- G- Granting the license and registration issued pursuant to the provisions of this Law;
- H- Restricting, suspending, ceasing or canceling, for the period it deems necessary, the licensing or registration granted to any person ;
- I- Renewing or declining the renewal of the license or registration granted to any person;
- J- Setting the fees for issuing licenses or registrations or for renewals thereof;
- K- Approving the services fees, charges and commissions, charged by the Market and the Center pursuant to their respective bylaws;
- L- Setting the minimum and maximum limits of commissions which the Financial Services Companies and Licensed Persons may charge their clients;
- M- Adopting the accounting, auditing and performance evaluation standards to be followed by the parties subject to the Commission's monitoring;

- N- Setting the standards and eligibility conditions required for auditors qualified to audit the accounts of the entities subject to the Commission's monitoring and supervision;
- O- Establishing cooperation relations with Arab and foreign securities commissions and Arab, regional and international organizations specialized in capital markets;
- P- Reviewing the decisions issued by the Market and the Center and terminating their implementation of any of them;
- Q- Issuing the required instructions for administering the Commission, and any other instructions or decisions to implement the provisions of this Law and the regulations issued pursuant thereto, or amending or repealing such;
- R- Preparing draft laws and regulations related to securities;
- S- Preparing the Commission's annual budget and submitting it to the Council of Ministers for endorsement;
- T- Any other matters that the Chairman presents to the Board.

**Article (15)**

- A- The following shall be subject to the Commission's monitoring and supervision in accordance with the provisions of this Law and the regulations, instructions and decisions issued pursuant thereto:
  - 1. Issuers;
  - 2. Licensed Persons;
  - 3. Registered Persons;.
  - 4. The Market;
  - 5. The Center;
  - 6. Mutual Funds and Investment Companies.
- B- The entities referred to in Paragraph (A) of this Article shall be subject to inspection and to the auditing of its documents, records and registers by the competent entity within the Commission legally authorized to do so.
- C- To realize the purposes of this Law and the regulations, instructions and decisions issued pursuant thereto, the documents, records and registers, wherever mentioned, shall include the bank statements, correspondence, memoranda, documents, computer files, or any other means for filing information and data whether written or electronic.

**Article (17)**

- A- The Commission may, through the competent entity therein, conduct any investigation, inspection or auditing to determine if any person has violated or has taken preparatory measures to violate any of the provisions of this Law or the regulations, instructions and decisions issued pursuant thereto.

- B -The Commission may investigate, through the competent entity therein, any information, circumstances or practices it deems necessary and appropriate for the implementation of the provisions of this Law and the regulations, instructions and decisions issued pursuant thereto.
- C- The Commission, through the competent entity therein, and for the purpose of carrying out the investigations referred to in Paragraphs (A) and (B) of this Article, may carry out any of the following:
1. Audit and make copies of the documents, records and registers of any Licensed or Registered Person, or any entity subject to Commissions monitoring and supervision, and inspect such with or without a prior notice;
  2. Summon witnesses to testify under oath, and to submit any documents and papers pertaining to the investigated matter.
- D- The Commission may enlist the services of experts and specialists in conducting the investigations, inspections and audits referred to in Paragraph (A) of this Article.

**Article (19)**

- A -If the Board upon a determination of good cause, deems that the protection of investors dictates taking immediate measures, it may take, for the period it deems appropriate, one or more of the following measures:
1. Ceasing or suspending any activity related to the securities or a specific security;
  2. Suspend the public offer of a security;
  3. Suspend the activities of a Licensed or Registered Person.

**Article (21)**

- A- The Board may conduct an investigation or a hearing to determine whether any person has violated or has taken preparatory measures to violate any provision of this Law or of the regulations, instructions or decisions issued pursuant thereto. An order for investigation shall indicate the nature of the suspected violation and shall set forth the scope of the authority to investigate. The notice for hearing shall indicate the nature of the suspected violation, and shall inform the respondent of the right to be heard and present evidence and shall fix a hearing date and time.

**Article (22)**

- A- The Board may impose monetary fines of no more than JD 50,000 (Fifty thousand Jordan Dinars) on any person in any of the following cases:
1. If the person violates the provision of this Law and the regulations, instructions and decisions issued pursuant thereto;
  2. If the person willfully aids, abets, counsels or commands Any other person to commit the violation;

3. If the person makes, or causes to be made, in any application or report to be filed with the Commission, any information which is false or misleading with respect to any material fact, or has omitted to state in any such application or report any material fact that should have been stated.

### Article (23)

At the request of any securities commission or foreign capital markets regulator, the Commission may support an investigation by that commission or regulator by providing information about Licensed Persons or their business or by carrying out an investigation itself.

### 10.d Supervision, Surveillance and Enforcement – Exchange Reporting

*The Exchange should report to the regulator when it becomes aware that reasonable grounds exist to suspect that a market user may have violated the jurisdiction's laws, or its internal rules and regulations.*

### THE MAJORITY OF INFORMATION FOR THIS REQUIREMENT WILL BE OBTAINED FROM APPROPRIATE DEPARTMENTS OF THE ASE.

The examples, below, should be sufficient to demonstrate the JSC's authority to require the Exchange to provide violations and information related to violations under The Securities Law of 2002. However, as with other compliance information it is requested that the JSC, based on its experience in the marketplace, provide any additional information that in the opinion of the JSC may be helpful in supporting the capital market's compliance.

#### Examples

The Securities Law  
Temporary Law No. 76 for the Year 2002  
Chapter 2 Securities Commission

### Article (15)

A - The following shall be subject to the Commission's monitoring and supervision in accordance with the provisions of this Law and the regulations, instructions and decisions issued pursuant thereto:

1. Issuers;
2. Licensed Persons;
3. Registered Persons;.
4. The Market;

5. The Center;

6. Mutual Funds and Investment Companies.

B- The entities referred to in Paragraph (A) of this Article shall be subject to inspection and to the auditing of its documents, records and registers by the competent entity within the Commission legally authorized to do so.

C- To realize the purposes of this Law and the regulations, instructions and decisions issued pursuant thereto, the documents, records and registers, wherever mentioned, shall include the bank statements, correspondence, memoranda, documents, computer files, or any other means for filing information and data whether written or electronic.

#### **10.e Supervision, Surveillance and Enforcement – Records Retention**

*Records made or received by the Exchange stemming from the operation of its trading system, relating to financial statements, and data regarding indications of market interest, quotations, orders, and trades in the system itself should all be preserved for a reasonable period of time, in most instances meaning many years. These should be furnished promptly upon request by the relevant regulator.*

#### **THE MAJORITY OF INFORMATION FOR THIS REQUIREMENT WILL BE OBTAINED FROM APPROPRIATE DEPARTMENTS OF THE ASE.**

Although the majority of information required to demonstrate compliance with this WFE requirement will be provided by the ASE, as with other compliance information it is requested that the JSC, based on its experience in the marketplace, provide any additional information that in the opinion of the JSC may be helpful in supporting the capital market's compliance.

## 11. Investor Protection

*Specific rules and regulations, like on disclosure and transparency, that serve to protect investors should be in place. These include guarantees such as compensation funds, insurance policies or their equivalent. If the Exchange or a related organisation holds or safeguards funds intended to guarantee the clearing of trades, or to compensate investors in the event of the insolvency of a member of the market, procedures and controls should be implemented to assure the availability of those funds. These funds are on stand-by as a lender of the last resort to the market.*

*A specific regime should be in place for staff of the Exchange and the clearinghouse/depository, to avoid conflicts of interest and insider trading. Comparable rules should be in place for all other users of the market. Insider trading and other forms of unfair markets should be prohibited, either by law or code of conduct, with adequate enforcement tools available.*

*Brokers and banks must assure absolute segregation between clients' money and their own accounts, and respect the priority in which client orders are executed.*

Responses to this WFE requirement should be comprehensive and clearly stated. Investor Protection is one of the most important requirements in the WFE Principles.

Please be sure to be as inclusive as possible. In the event that a question arises as to whether a particular piece of information should or should not be included, include the information. In addressing this WFE requirement more information is better than less.

### 11.a Investor Protection - Guarantees

*Specific rules and regulations, like on disclosure and transparency, that serve to protect investors should be in place. These include guarantees such as compensation funds, insurance policies or their equivalent. If the Exchange or a related organisation holds or safeguards funds intended to guarantee the clearing of trades, or to compensate investors in the event of the insolvency of a member of the market, procedures and controls should be implemented to assure the availability of those funds. These funds are on stand-by as a lender of the last resort to the market.*

**THE MAJORITY OF INFORMATION FOR THIS REQUIREMENT WILL BE OBTAINED FROM APPROPRIATE DEPARTMENTS OF THE ASE.**

Although the majority of information required to demonstrate compliance with this WFE requirement will be provided by the ASE, as with other compliance information it is requested that the JSC, based on its experience in the marketplace, provide any additional information that in the opinion of the JSC may be helpful in supporting the capital market's compliance.

**Examples**

The Securities Law  
Temporary Law No. 76 for the Year 2002  
Chapter 4 Investor Protection Fund

**Article (33)**

- A - The Commission may establish or approve the establishment by any entity of a fund known as the (Investors Protection Fund). The Fund shall have a legal personality.
- B- All matters pertaining to the Investors Protection Fund, including its establishment, its objectives, management, terms of membership, financial resources, administration of assets, mode of operation, obligations towards investors in Jordanian securities, and its liquidation shall be governed by instructions issued by the Board.
- C- The Fund shall be subject to the Commission's monitoring and supervision.

The Securities Law  
Temporary Law No. 76 for the Year 2002  
Chapter 9 The Settlement Guarantee Fund

**Article (90)**

- A- A fund known as (The Settlement Guarantee Fund) shall be established at the Center, and shall have a legal personality with financial autonomy. The Fund shall be administered by the Center.
- B- Membership in the Fund shall be mandatory for Financial Brokers, Dealers and any other entity specified in the Fund's bylaws.
- C- In particular, the Fund shall have as its objectives the following:
  - 1. Covering the cash deficit of Fund members in connection with their purchases of securities;
  - 2. Covering the deficits in the securities account of Fund members in connection with sales of securities on the Stock Exchange.
- D- Subject to Board approval, the Center's board of directors, shall issue a by-law providing for the fund management, covering, *inter alia*, the fund's subscription and membership fees and its member obligations, administration of assets, mode of operation, obligations towards members, and liquidation procedures.



- E- The Fund shall be the legal and factual successor of the Financial Broker's Guarantee Fund, whereby all the latter's rights, obligations, assets, records and moneys shall devolve upon the Fund.
- F- The Fund shall be subject to the Commission's monitoring, supervision, inspection and audit of its records.

### 11.b Investor Protection – Conflicts of Interest

*A specific regime should be in place for staff of the Exchange and the clearinghouse/depository, to avoid conflicts of interest and insider trading. Comparable rules should be in place for all other users of the market. Insider trading and other forms of unfair markets should be prohibited, either by law or code of conduct, with adequate enforcement tools available.*

**THE MAJORITY OF INFORMATION FOR THIS REQUIREMENT WILL BE OBTAINED FROM APPROPRIATE DEPARTMENTS OF THE ASE AND THE SDC.**

Although the majority of information required to demonstrate compliance with this WFE requirement will be provided by the ASE, as with other compliance information it is requested that the JSC, based on its experience in the marketplace, provide any additional information that in the opinion of the JSC may be helpful in supporting the capital market's compliance.

#### **Examples**

The Securities Law  
Temporary Law No. 76 for the Year 2002  
Chapter 7 The Stock Exchange

#### **Article (65)**

- E- The chairman or deputy chairman of the board of directors of the Amman Stock Exchange shall not be a partner, a member of the board of directors, a member of the executive board, employee or a representative of any member of the Stock Exchange.

#### **Article (67)**

- D- Neither the chairman nor the deputy chairman of the Trading Market in Securities may be a member of the board of directors or of the board of executives of a Licensed Person, or a director, manager, employee or representative of a Licensed Person during their term in office.

**Article (68)**

C - Any information to which the Market management, employees or counsels have access shall be deemed confidential, and may not be disclosed without Board approval.

The Securities Law  
Temporary Law No. 76 for the Year 2002  
Chapter 8 The Securities Depository

**Article (78)**

The chairman or deputy chairman of the Center's board of directors shall not be a partner, member of the board of directors or of the executive board, nor an employee or representative of any Licensed Person.

**11.b Investor Protection – Segregation of Assets & Order Execution**

*Brokers and banks must assure absolute segregation between clients' money and their own accounts, and respect the priority in which client orders are executed.*

The protection of investors' assets is the prim concern of this WFE requirement. The basic protections afforded investors under The Securities Law of 1002 and the Rules and Regulations of the JSC are cited in this section.

Additional protections afforded investor assets have been provided by responses provided by appropriate departments in the ASE and the SDC.

Although examples from The Securities Law of 2002 ad the Rules and Regulations of the JSC have been provided, below, it is requested that the JSC, based on its experience in the marketplace, provide any additional information that in the opinion of the JSC may be helpful in supporting the capital market's compliance with this WFE requirement.

**Examples**

The Securities Law  
Temporary Law No. 76 for the Year 2002  
Chapter 2 Securities Commission

**Regulatory Scope****Article (15)**

A- The following shall be subject to the Commission's monitoring and supervision in accordance with the provisions of this Law and the regulations, instructions and decisions issued pursuant thereto:

1. Issuers;
2. Licensed Persons;
3. Registered Persons;.
4. The Market;
5. The Center;
6. Mutual Funds and Investment Companies.

B- The entities referred to in Paragraph (A) of this Article shall be subject to inspection and to the auditing of its documents, records and registers by the competent entity within the Commission legally authorized to do so.

C -To realize the purposes of this Law and the regulations, instructions and decisions issued pursuant thereto, the documents, records and registers, wherever mentioned, shall include the bank statements, correspondence, memoranda, documents, computer files, or any other means for filing information and data whether written or electronic.

### ***Regulatory Enforcement***

#### **Article (17)**

A- The Commission may, through the competent entity therein, conduct any investigation, inspection or auditing to determine if any person has violated or has taken preparatory measures to violate any of the provisions of this Law or the regulations, instructions and decisions issued pursuant thereto.

B- The Commission may investigate, through the competent entity therein, any information, circumstances or practices it deems necessary and appropriate for the implementation of the provisions of this Law and the regulations, instructions and decisions issued pursuant thereto.

#### **Article (18)**

The following shall be considered violations of the provisions of this Law:

A- Failure of a Licensed Person, Registered Person or any entity subject to the Commission's monitoring and supervision to comply with the Commission's requests to submit the required documents or papers or to appear for testimony, in which case the Board may cancel the license or registration.

B- Failure of any person, other than the Licensed or Registered Person, or any entity subject to the control and supervision of the Commission, to comply with the Commission's requests to submit the required documents or papers or to appear for testimony.

#### **Article (20)**

The Board may, as it deems appropriate, publicize any violation of the provisions of this Law and the regulations, instructions and decisions issued pursuant thereto in order to forewarn investors to avert any resultant consequences.

**Article (21)**

- A- The Board may conduct an investigation or a hearing to determine whether any person has violated or has taken preparatory measures to violate any provision of this Law or of the regulations, instructions or decisions issued pursuant thereto. An order for investigation shall indicate the nature of the suspected violation and shall set forth the scope of the authority to investigate. The notice for hearing shall indicate the nature of the suspected violation, and shall inform the respondent of the right to be heard and present evidence and shall fix a hearing date and time.
- B- If the Board finds, after conducting the investigation or the hearing, that any person has violated or has taken preparatory measures to violate any provision of this Law or the regulations, instructions or decisions issued pursuant thereto, it may take one or more of the following measures:
1. Publish the investigation findings;
  2. Issue an order requiring such person to cease and desist from committing, attempting to commit, or causing such violation, or requiring elimination of the violation, as the case may be;
  3. Impose a monetary fine in accordance with Paragraph (A) of Article (22) of this Law;
  4. Order the cessation of issuance of, or trading in any securities of which that person is the Issuer and to which the offence relates;
  5. If the person is a Licensed or Registered Person, suspend or revoke the license or registration, as the case may be.

**Article (22)**

- A- The Board may impose monetary fines of no more than JD 50,000 (Fifty thousand Jordan Dinars) on any person in any of the following cases:
1. If the person violates the provision of this Law and the regulations, instructions and decisions issued pursuant thereto;
  2. If the person willfully aids, abets, counsels or commands any other person to commit the violation;
  3. If the person makes, or causes to be made, in any application or report to be filed with the Commission, any information which is false or misleading with respect to any material fact, or has omitted to state in any such application or report any material fact that should have been stated.

**Article (50)**

The Board may require the Licensed Person to provide unconditional bank guarantees or any other acceptable guarantees so as to secure the Licensed Person's obligations to its clients dealing in securities and ensure its compliance with the provisions of this Law and the regulations, instructions and decisions issued pursuant thereto. The Board may liquidate the guarantees and dispose of the guarantees as it deems appropriate.

***Segregation of Assets*****Article (55)**

Notwithstanding what is stated in any other legislation:

- A- The Licensed Person shall segregate client's moneys and securities that are considered a civil deposit therewith from its own moneys and securities, in accordance with the conditions specified by the Board which should be included in the agreements concluded with the clients.
- B- Except where otherwise determined by the Board pursuant to instructions issued thereby, money and assets that belong to clients and held by a Licensed Person shall not, under any circumstances, be available to distribute to the creditors of the Licensed Person in the event of the Licensed Person's insolvency or default.
- C- The method of naming accounts and the requirements for the segregation and custody of clients money and assets shall be specified in instructions or decisions issued by the Board.

**Article (56)**

A Licensed or Registered Person shall be deemed in violation of the Law if it carries out any of the following:

- A- Misdirect, misapply or otherwise misuse funds entrusted by clients or by shareholders;
- B- Practice Deception, Misrepresentation or Prohibited Acts;
- C- Individually or in collusion with others, affect competition adversely, by manipulating the commissions or service fees charged to clients, or limiting the types of services provided thereto;
- D- Individually or in collusion with others, affect or attempt to affect the capital market adversely or otherwise.

***Client Services & Order Execution*****Article (57)**

In carrying out their activities, Licensed and Registered Persons, and their employees, shall perform their duties abiding by the rules of professional conduct in accordance with the instructions issued by the Board. This shall include acting with loyalty and dedication so as to maximize their clients' interests, realize their clients' investment objectives, and refrain from discriminating between clients, charging them excessive commissions and service fees, or guaranteeing or promising clients definite amounts of profits, or otherwise engaging in fraudulent and deceptive practices.

**Article (58)**

The Board may deny the license of any person or revoke the license granted to any person if it finds that any of that person's board of directors, chief executive officers, directors or managers in a position of responsibility has violated the licensing requirements of this Law or the regulations, instructions and decisions issued pursuant thereto.

***Participant Adherence/Regulatory Continuity*****Article (59)**

A- Any Licensed or Registered Person shall continue to comply with all the licensing and registration requirements provided for by this Law and specified in the instructions issued pursuant thereto, subject otherwise to revoking the license or registration.

**Article (60)**

A- The Board may deny, suspend or revoke the license or registration of any person, as the case may be, if after notice and hearing it finds that this person has carried out any of the following:

1. violated any provision of this Law or the regulations, instructions or decisions issued pursuant thereto;
2. filed false information in the application for license or registration;
3. committed a Prohibited Act;
4. demonstrated incompetence to transact business as a Licensed or Registered Person.

***Client Asset Protection – Intermediary Bankruptcy/Liquidation*****Article (62)**

A- Notwithstanding what is stated in any other law, the liquidation of any Licensed Person, whether voluntary or involuntary, shall be carried out under the Commission's supervision and follow up, provided this provision shall not apply to banks with respect to their banking assets.

B- The Board may take any necessary measures to publicize the bankruptcy of a Licensed Person who is a natural person, or refer a Financial Services Company for compulsory liquidation.

C- Notwithstanding what is stated in any other law, the moneys and securities belonging to the clients of a Financial Services Company or a licensed natural person, shall not be subject to the procedures of lien, sequestration, liquidation or bankruptcy to which the Financial Services Companies or the natural person is subject.

***Client Assets Contractual Agreements*****Article (63)**

A- The relationship between the client and the Licensed Person shall be governed by a written agreement that is consistent with the provisions of this Law and the regulations, instructions and decisions issued pursuant thereto.

- B- Every Licensed or Registered Person, when contracting with its clients or transacting in securities for their interests, shall certify the validity of its clients' signatures after verifying their identities and capacities for contracting. The Licensed or Registered Person shall be responsible for the validity of the said signatures.
- C- Any Licensed or Registered Person that sells or disposes of any securities without a written authorization from its owner or a written agreement pursuant to which the sale or disposition is authorized shall be deemed to have committed forgery and fraud.

The Securities Law  
Temporary Law No. 76 for the Year 2002  
Chapter 11 Violations and Penalties

***Client Recourse – Misuse of Assets***

**Article (111)**

- A- Any investor who incurs financial loss as a result of the sale of securities may claim remedies for damages from the seller or the Issuer, as the case may be, provided he establishes that :
  - 1. the sale was carried out in a manner that violates the provisions of this Law and the regulations, instructions and decisions issued pursuant thereto; and
  - 2. that he has incurred a financial loss as a result of the sale of such securities.
- B- A person incurring damages shall institute the action for restitution before the Competent Court no later than two years following:
  - 1. the date of the sale, where the damages have resulted from sale of a security;

***Regulatory Empowerment***

**Article (112)**

The Board may restrict, suspend or revoke the license or registration granted in accordance with the provisions of this Law in any of the following cases:

- A- If the Licensed or Registered Person violates any of the provisions of this Law or the regulations, instructions or decisions issued pursuant thereto;
- B- If the Commission finds that such a person has committed fraud or deceit;
- C- If the Licensed or Registered Person is convicted by the Competent Court of fraud or deceit in connection with any transaction in securities.

Jordan Securities Commission – Rules and Regulation

**NOTE: Information cited in the examples, below, are based on the JSC Rules and Regulations by virtue of the Securities Law (23) for the Year 1997. Please add , delete or update information that has changed by virtue of the Securities Law No. 76 for the Year 2002**

**Directives for Licensing Financial Services Companies  
and  
Certified Financial Professionals**

Instructions on Licensing of Activities of Financial Services Companies and Certified Financial Professionals No. (1) for the Year 1999, Issued by the Board of Commissioners of the Securities Commission pursuant to Articles (9), (38) and (73) of the Securities Law No. (23) for the Year 1997

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**Directives of Licensing Financial Services Companies and Certified Financial Professionals**

**Chapter 1 (Financial Services Companies)**

**Article (3)**

a. The term financial services company shall mean a company licensed by the Commission to practice one or more of the following activities:

1. Investment trusteeship.
2. Investment management.
3. Financial advisory.
4. Financial brokerage.
5. Depository services.
6. Management of primary issues.
7. Any other activities specified by the Board.

b. The activities listed in Paragraph (a) of this Article may only be practiced by licensed financial services companies.



- c. Financial services companies may practice the activities (1-4) listed in Paragraph (a) of this Article only through certified financial professionals licensed by the Commission to practice such activities.

**Article (19)**

- a. The company shall maintain books and accounting records and the records necessary to carry out its activities in an organized and accurate manner, and in accordance with the recognized accounting standards and the instructions issued by the Board.

The books and records referred to in Paragraph (a) of this Article may be maintained electronically or by any other permitted means subject to the following:

1. Appropriate, necessary and preventive measures are taken to ensure the integrity and the security of information.
2. The said information and data shall be easily accessible and in clear and accurate format, within a reasonable time to any person entitled to examine or view such records.

**Article (20)**

- a. The company shall set out in writing work procedures for dealing with clients, which reflect due diligence, and allow it to serve its clients well. The company shall also take all necessary measures to oversee such procedures, provided this is done in accordance with the regulations and instructions issued for this purpose.

**Article (22)**

The financial advisor and the investment manager shall set out the criteria for fairness in allocating investment opportunities between clients and shall provide all clients with copies of such criteria after their depositing with the Commission.

**Chapter 4 (Securities Deposit)**

**Article (38)**

The securities account manager shall carry out his authorized activities in accordance with the instructions issued by the Depository and approved by the Board.

**Article (42)**

The depository shall:

- a. separate clients' securities deposited therewith from its own securities; exclude the values of securities deposited therewith from its assets and liabilities, and the returns on such securities and capital gains or losses resulting from dealing therein from its final accounts;
- b. indicate the market value of the securities deposited therewith in its published financial statements;
- c. not pledge the securities deposited therewith against the depositor's liabilities unless otherwise provided in any of the agreements concluded therewith.

**Article (60)**

The client may seek compensation from the company for any resulting damages if the company breaches any of its obligations towards the client, or takes any action against his interest, or commits an evident error or violation.

## **12. Business Conduct**

*One of the most important parameters for regulated markets is the level of investor confidence achieved through both the national legal environment and the market regulatory infrastructure. An important element of investor confidence is the fair treatment of the customer. This section elaborates the IOSCO International Conduct of Business Principles (the IOSCO Principles) and puts them in the context of markets, their participants and customers. It aims at offering a benchmark of best practice against which members which have existing codes or formal regulations could test their practice and perhaps revise their codes.*

*Obligations that may be imposed on listed companies, their employees, or investors are not covered here.*

A large portion of the information necessary to demonstrate compliance with WFR Principle 12 – Business Conduct, is contained in the Code of Conduct for the ASE and the Code of Conduct for the SDC.

However, there are general Articles in The Securities Law of 2002 and the Rules and Regulations of the JSC that support the capital market's overall compliance with this WFE requirement.

Although examples from The Securities Law of 2002 and the Rules and Regulations of the JSC have been provided, below, it is requested that the JSC, based on its experience in the marketplace, provide any additional information that in the opinion of the JSC may be helpful in supporting the capital market's compliance with this WFE requirement.

The WFE's Market Principle 12 is comprised of multiple parts. In order to make the process of providing information to demonstrate compliance with WFE Requirement 12 the overall requirement has been segmented, as below.

### **12.a Business Conduct – Honesty & Fairness**

#### **a. Honesty and Fairness**

*A stock market's pricing system being its key function, members of the financial community should honour the integrity of the price formation mechanism. Market participants should go further than avoiding misleading or deceptive acts or representations. They should refrain from any action that would hinder or disrupt the fair and orderly functioning of the market. They should not spread groundless or false information about listed issuers and refrain from any activities designed to mislead others about the true state of the market. Therefore, consideration should be given to outlawing specific manipulative practices, such as trades that involve no change of beneficial ownership or trades that give a false appearance of activity.*

*Although manipulation of prices (including insider dealing) may be prohibited by statutory law as well as exchange rules, specific trading strategies may not be interdicted. In permitting new trading strategies, stock markets should take into consideration the integrity of their pricing mechanisms, provided, however, that such consideration should not be an excuse for anti-competitive decision-making.*

The examples cited below should be sufficient for the JSC's purposes. However, as with other similar questions in this questionnaire it is requested that the JSC, based on its experience in the marketplace, provide any additional information that in the opinion of the JSC may be helpful in supporting the capital market's compliance with this WFE requirement.

**IN ADDITION TO MATERIAL PROVIDED BY THE JSC, COMPLIANCE WITH THIS WFE REQUIREMENT WILL BE SUPPORTED BY THE CODE OF CONDUCT FOR ASE MEMBERS AND THE CODE OF CONDUCT FOR SDC PARTICIPANTS.**

**Examples**

The Securities Law  
Temporary Law No. 76 for the Year 2002  
Chapter 1 Definitions

**Article (2)**

The following words and phrases wherever mentioned in this Law shall have the meanings ascribed thereto hereunder unless the context indicates otherwise:

Prohibited Act :	Any action, practice, scheme, course of conduct, or device forbidden in this Law or the regulations, instructions or decisions issued pursuant thereto.
Misrepresentation :	Any untrue statement of a material fact, or any omission or concealment of a material fact or any other datum required to ensure that a statement made is true and accurate.
Deception :	An act, scheme, device, practice or course of conduct likely to have the effect of misleading others or intended to mislead them.
Inside Information :	Information relating to one or several Issuers or to one or several securities which has not been made public and which, if it were made public, would likely affect the price of any such security. This does not include inferences drawn on the basis of economic and financial studies, research and analysis.
Insider :	A person who possesses Inside Information by virtue of his position or job.

The Securities Law  
Temporary Law No. 76 for the Year 2002  
Chapter 2 The Securities Commission

**Article (7)**

A- A Commission known as the (Securities Commission) shall be established, and shall have a legal personality with financial and administrative autonomy. As such, the Commission may acquire movable and immovable property and perform all legal acts necessary to achieve its objectives, including concluding contracts, borrowing, accepting assistance, gifts and donations. The Commission shall have the right to sue and be sued, and may be represented in legal proceedings by the Civil Attorney General or any attorney it appoints for this purpose.

**Article (8)**

A- The Commission shall in particular aim to achieve the following:

1. Protecting investors in securities;
2. Regulating and developing the capital market to ensure fairness, efficiency and transparency;
3. Protecting the capital market from the risks that might face it.

**Article (15)**

A- The following shall be subject to the Commission's monitoring and supervision in accordance with the provisions of this Law and the regulations, instructions and decisions issued pursuant thereto:

1. Issuers;
2. Licensed Persons;
3. Registered Persons;.
4. The Market;
5. The Center;
6. Mutual Funds and Investment Companies.

**Article (19)**

A- If the Board upon a determination of good cause, deems that the protection of investors dictates taking immediate measures, it may take, for the period it deems appropriate, one or more of the following measures:

1. Ceasing or suspending any activity related to the securities or a specific security;
2. Suspend the public offer of a security;
3. Suspend the activities of a Licensed or Registered Person.

**Article (22)**

A- The Board may impose monetary fines of no more than JD 50,000 (Fifty thousand Jordan Dinars) on any person in any of the following cases:

1. If the person violates the provision of this Law and the regulations, instructions and decisions issued pursuant thereto;
2. If the person willfully aids, abets, counsels or commands any other person to commit the violation;
3. If the person makes, or causes to be made, in any application or report to be filed with the Commission, any information which is false or misleading with respect to any material fact, or has omitted to state in any such application or report any material fact that should have been stated.

The Securities Law  
Temporary Law No. 76 for the Year 2002  
Chapter 6 Licensing, Registration and Monitoring

**Article (47)**

A- Unless licensed by the Board in accordance with instructions issued thereby, no person may engage in business as:

1. Financial Broker;
2. Dealer;
3. Investment Trustee;
4. Investment Manager;
5. Financial Advisor;
6. Underwriter,
7. Financial Services Company;
8. Custodian;
9. Any other activities relating to securities determined by the Board.

**Article (55)**

Notwithstanding what is stated in any other legislation:

- A- The Licensed Person shall segregate client's moneys and securities that are considered a civil deposit therewith from its own moneys and securities, in accordance with the conditions specified by the Board which should be included in the agreements concluded with the clients.
- B- Except where otherwise determined by the Board pursuant to instructions issued thereby, money and assets that belong to clients and held by a Licensed Person shall not, under any circumstances, be available to distribute to the creditors of the Licensed Person in the event of the Licensed Person's insolvency or default.
- C- The method of naming accounts and the requirements for the segregation and custody of clients money and assets shall be specified in instructions or decisions issued by the Board.

**Article (56)**

A Licensed or Registered Person shall be deemed in violation of the Law if it carries out any of the following:

- A- Misdirect, misapply or otherwise misuse funds entrusted by clients or by shareholders;
- B- Practice Deception, Misrepresentation or Prohibited Acts;
- C- Individually or in collusion with others, affect competition adversely, by manipulating the commissions or service fees charged to clients, or limiting the types of services provided thereto;
- D- Individually or in collusion with others, affect or attempt to affect the capital market adversely or otherwise.

**Article (57)**

In carrying out their activities, Licensed and Registered Persons, and their employees, shall perform their duties abiding by the rules of professional conduct in accordance with the instructions issued by the Board. This shall include acting with loyalty and dedication so as to maximize their clients' interests, realize their clients' investment objectives, and refrain from discriminating between clients, charging them excessive commissions and service fees, or guaranteeing or promising clients definite amounts of profits, or otherwise engaging in fraudulent and deceptive practices.

**Article (59)**

A- Any Licensed or Registered Person shall continue to comply with all the licensing and registration requirements provided for by this Law and specified in the instructions issued pursuant thereto, subject otherwise to revoking the license or registration.

**Article (60)**

A- The Board may deny, suspend or revoke the license or registration of any person, as the case may be, if after notice and hearing it finds that this person has carried out any of the following:

1. violated any provision of this Law or the regulations, instructions or decisions issued pursuant thereto;
2. filed false information in the application for license or registration;
3. committed a Prohibited Act;
4. demonstrated incompetence to transact business as a Licensed or Registered Person.

**Article (62)**

C- Notwithstanding what is stated in any other law, the moneys and securities belonging to the clients of a Financial Services Company or a licensed natural person, shall not be subject to the procedures of lien, sequestration, liquidation or bankruptcy to which the Financial Services Companies or the natural person is subject.

**Article (63)**

- A- The relationship between the client and the Licensed Person shall be governed by a written agreement that is consistent with the provisions of this Law and the regulations, instructions and decisions issued pursuant thereto.
- B- Every Licensed or Registered Person, when contracting with its clients or transacting in securities for their interests, shall certify the validity of its clients' signatures after verifying their identities and capacities for contracting. The Licensed or Registered Person shall be responsible for the validity of the said signatures.
- C- Any Licensed or Registered Person that sells or disposes of any securities without a written authorization from its owner or a written agreement pursuant to which the sale or disposition is authorized shall be deemed to have committed forgery and fraud.

The Securities Law  
Temporary Law No. 76 for the Year 2002  
Chapter 7 The Stock Exchange

**Article (67)**

- A- 1. A Trading Market in Securities shall be licensed as a Stock Exchange in accordance with the provisions of this Law and the instructions issued by the Board in this regard.
2. An application to license a Trading Market in Securities as a Stock Exchange shall be filed with the Commission, and shall have enclosed therewith its by-laws and instructions governing its activities and such other information and documents as the Board may deem necessary or appropriate for the protection of investors or in the public interest.
- B- A Trading Market in Securities shall not be licensed as a Stock Exchange unless the Board determines that such a Trading Market is organized and has the capacity to enforce compliance by its members and persons associated with its members with the provisions of this Law and the regulations, instructions and decisions issued pursuant thereto, and with its own by-laws and instructions.
- C- The by-laws and instructions of a Trading Market in Securities shall provide for the following:
1. Charging its members, Issuers and other persons using its facilities any fees and charges in a fair and reasonable manner;
  2. Ensuring fairness, efficiency and transparency and preventing fraud, Deception and Prohibited Acts, fostering cooperation and coordination with entities working in the capital market and protecting investors;
  3. Laying down fair principles for any differentiation between clients, Issuers, Financial Brokers or Dealers;
  4. Imposing disciplinary sanctions upon its members and persons associated therewith for violation of the provisions of this Law and the regulations, instructions and decisions issued pursuant thereto and the provisions of the by-laws and instructions of the Trading Market in Securities;
  5. Applying equitable and fair trading procedures;
  6. Barring any unjustified or inadequate restraints on competition;
  7. Establishing standards of training, experience and administrative competence for its members and persons employed by such members, and disciplinary measures against those who do not satisfy such;
  8. Assuring the financial adequacy of its members and for



monitoring such.

**Article (68)**

A- The Stock Exchange may conduct, or have the Commission conduct on its behalf, such audits and investigations of its members and of trading therein to determine whether its by-laws or instructions, or the provisions of this Law or the regulations, instructions or decisions issued pursuant thereto have been violated. Such investigations shall be conducted in accordance with the instructions set by the Market in a manner that will provide safeguards for the rights of members during the course of investigations.

**Article (70)**

A- The Market may stipulate membership requirements and conditions, and may refuse the application of any person to become a member or bar him from being employed by a member, if such a person does not meet the standards of training, experience, and competence prescribed by the Market's by-laws and instructions, or if he commits a violation of the provisions of this Law and the regulations, instructions and decisions issued pursuant thereto.

**Article (71)**

- A- The by-laws and instructions of the Market shall be legally binding upon the members and their clients .
- B- A member shall sign a written commitment upon becoming a member of the Market pursuant to which he undertakes to comply with the Market's by-laws and instructions.

The Securities Law  
Temporary Law No. 76 for the Year 2002  
Chapter 8 The Securities Depository Center

**Article (76)**

A Center known as the (Securities Depository Center) shall be established in the Kingdom. The Center shall be a non-profit public utility entity, and shall have a legal personality with administrative and financial autonomy. As such, it may acquire and dispose of movable and immovable property, and perform all legal acts to realize its objectives, including entering into contracts in its own name. The Center shall have the right to sue and be sued, and to appoint any attorney to represent it in legal proceedings.

**Article (77)**

A- The Center shall perform the following functions:

- 1- Register, safe-keep, and transfer ownership of securities;
- 2- Deposit securities;
- 3- Clear and settle securities.

B- The Center shall be the only entity in the Kingdom authorized to perform the functions stipulated in Paragraph (A) of this Article.

**Article (83)**

A- The by-laws and instructions of the Center, and any amendments thereto shall be submitted to the Board for approval prior to their being made effective, provided they include the following in particular:

2. Specification of the rights and obligations of the parties involved in the securities clearing, settlement and ownership transfer processes;
6. Standards of professional conduct applicable to the members of the Center, members of the board of directors, to the executive manager and the Center's employees.

**Article (84)**

B- The Center may impose fines in accordance with provisions of its by-laws and instructions.

The Securities Law  
Temporary Law No. 76 for the Year 2002  
Chapter 11 Violations and Penalties

**Article (108)**

A person shall be in violation of the provisions of this Law, upon committing any of the following acts:

- A- Trading in securities or influencing others to trade in such securities on the basis of inside information;
- B- Using inside or confidential information to attain material or moral gains whether for his own benefit or for the benefit of others, including members of the board of directors and employees of the Market and the Center;
- C- Disclosing inside information to other than the competent authorities or the Courts.

**Article (109)**

It shall be prohibited for any person:

- A- To disseminate and promote rumors or to provide false or misleading information, data or statements which may affect the price of any security or the reputation of any Issuer;
- B- Solely or in collusion with others, to effect any transaction in securities with the intention of creating a false impression of the price or volume of trades of a security or any related security.

**Article (110)**

- A- Any person who violates the provisions of this Law or the regulations, instructions or decisions issued pursuant thereto shall be subject to a fine of not more than one hundred thousand (100,000) Dinars, in addition to a fine of not less than twice the amount, and not more than five times the amount, of profit made or loss avoided by the person committing the violation.
- B- Without prejudice to any stricter penalties imposed by any other legislation, and in addition to the fines specified in Paragraph (A) of this Article, any person violating the provisions of the Articles mentioned hereunder shall be subject to the following penalties:
1. Imprisonment of up to three years for violations of the provisions of Paragraph (C) of Article (63), Paragraphs (A) and (B) of Article (108), and Article (109) of this Law;
  2. Imprisonment of up to one year for violations of the provisions of Subparagraph (1) of Paragraph (A ) of Article (34), Paragraph (D) of Article (42), and Paragraphs (A) and (B) of Article (47) of this Law.

**Article (112)**

The Board may restrict, suspend or revoke the license or registration granted in accordance with the provisions of this Law in any of the following cases:

- A- If the Licensed or Registered Person violates any of the provisions of this Law or the regulations, instructions or decisions issued pursuant thereto;
- B- If the Commission finds that such a person has committed fraud or deceit;
- C- If the Licensed or Registered Person is convicted by the Competent Court of fraud or deceit in connection with any transaction in securities.

**12.b Business Conduct – Diligence****b. Diligence**

*The diligence required in effecting securities transactions is best execution of customer orders. This involves executing agency orders promptly, and if a market order, at the best available price. Charges should be as agreed upon, or else be based on a customary, commission that is fully disclosed. Diligence also involves executing net trades or principal orders at a price closely related to the market price, especially where off-market trading is permitted and disclosing, as may be appropriate to the marketplace, the basis of the mark up or mark down to the customer. Whether the firm is acting in its capacity as principal or agent should also be disclosed to customers.*

*Recommendations by market participants or their employees to customers as to the purchase or sale of securities should be based on adequate and reliable information about the issuer and the nature of the financial instrument. An underwriter should exercise due diligence with regard to an issuer's business affairs and financial condition when preparing an offering.*

*Where an involuntary sale of a customer's securities must be made (due to an unanswered margin call or for other reasons), the market participant should conduct that sale with skill and due care to follow market pricing.*

The majority of information required to demonstrate compliance with this WFE requirement is to be provided by appropriate ASE Departmental questionnaires. The examples provided, below, should be sufficient to meet the JSC's questionnaire requirements.

However, as with other similar questions in this questionnaire it is requested that the JSC, based on its experience in the marketplace, provide any additional information that in the opinion of the JSC may be helpful in supporting the capital market's compliance with this WFE requirement.

**Examples**

The Securities Law  
Temporary Law No. 76 for the Year 2002  
Chapter 5 Disclosure

**Article (34)**

- A- 1- No person shall make a public offer unless a prospectus is filed with the Commission, together with such additional information and data which enables investor to make his investment decision.
- 2- The Board shall issue instructions specifying the information and data which shall be included in prospectus or attached therewith.
- B- Securities offer shall be in one of the following ways:
1. A prospectus;
  2. An advertisement containing a summary of the prospectus and other information or data required by the Commission or authorized thereby pursuant to instructions issued by the Board;
  3. A written text attached to or preceding the prospectus, provided the prospectus has come into effect.

The Securities Law  
Temporary Law No. 76 for the Year 2002  
Chapter 6 Licensing, Registration and Monitoring

**Article (47)**

- A- Unless licensed by the Board in accordance with instructions issued thereby, no person may engage in business as:
1. Financial Broker;
  2. Dealer;
  3. Investment Trustee;
  4. Investment Manager;
  5. Financial Advisor;
  6. Underwriter,
  7. Financial Services Company;
  8. Custodian;
  9. Any other activities relating to securities determined by the Board.

**Article (57)**

In carrying out their activities, Licensed and Registered Persons, and their employees, shall perform their duties abiding by the rules of professional conduct in accordance with the instructions issued by the Board. This shall include acting with loyalty and dedication so as to maximize their clients' interests, realize their clients' investment objectives, and refrain from discriminating between clients, charging them excessive commissions and service fees, or guaranteeing or promising clients definite amounts of profits, or otherwise engaging in fraudulent and deceptive practices.

**Article (59)**

- A- Any Licensed or Registered Person shall continue to comply with all the licensing and registration requirements provided for by this Law and specified in the instructions issued pursuant thereto, subject otherwise to revoking the license or registration.

**Article (63)**

- A- The relationship between the client and the Licensed Person shall be governed by a written agreement that is consistent with the provisions of this Law and the regulations, instructions and decisions issued pursuant thereto.
- B- Every Licensed or Registered Person, when contracting with its clients or transacting in securities for their interests, shall certify the validity of its clients' signatures after verifying their identities and capacities for contracting. The Licensed or Registered Person shall be responsible for the validity of the said signatures.
- C- Any Licensed or Registered Person that sells or disposes of any securities without a written authorization from its owner or a written agreement pursuant to which the sale or disposition is authorized shall be deemed to have committed forgery and fraud.

The Securities Law  
Temporary Law No. 76 for the Year 2002  
Chapter 11 Violations and Penalties

**Article (107)**

The following shall be regarded as a violation of the provisions of this Law:

- A- Submitting false or misleading data in any document filed with the Commission;
- B- Offering or selling securities on the basis of false or misleading data regarding:
  - 1. the rights and privileges conferred by the security being offered or sold;
  - 3. the nature of the Issuer's business, the success thereof, the Issuer's financial conditions or future prospects .
- D- Any Deception or Misrepresentation relating to securities or any Prohibited Act relating to the licensed activities in accordance with the provisions of this Law.

**Article (112)**

The Board may restrict, suspend or revoke the license or registration granted in accordance with the provisions of this Law in any of the following cases:

- A- If the Licensed or Registered Person violates any of the provisions of this Law or the regulations, instructions or decisions issued pursuant thereto;
- B- If the Commission finds that such a person has committed fraud or deceit;
- C- If the Licensed or Registered Person is convicted by the Competent Court of fraud or deceit in connection with any transaction in securities.

Jordan Securities Commission – Rules and Regulation  
**NOTE: Information cited in the examples, below, are based on the JSC Rules and Regulations by virtue of the Securities Law (23) for the Year 1997. Please add , delete or update information that has changed by virtue of the Securities Law No. 76 for the Year 2002**

**Directives for Licensing Financial Services Companies  
and  
Certified Financial Professionals**

Instructions on Licensing of Activities of Financial Services Companies and Certified Financial Professionals No. (1) for the Year 1999, Issued by the Board of Commissioners of the Securities Commission pursuant to Articles (9), (38) and (73) of the Securities Law No. (23) for the Year 1997

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**Directives of Licensing Financial Services Companies and Certified Financial Professionals**

**Chapter 1 (Financial Services Companies)**

**Article (14)**

A company shall provide in any publication wherein it recommends the purchase, sale or retention of a certain security a detailed and complete statement of any direct or indirect interest in this security by itself, any partner, manager, or insider therein, including the following:

- a. Any ownership by any of the aforementioned related to this security or any securities issued by the same issuer.
- b. Any commissions or compensations received or expected by any of the aforementioned from any person related to any dealing in this security.

Any financial ties or arrangements between any of the aforementioned and the underwriter or any other person which pertain to this security.

**Article (15)**

In any publication issued or published thereby in which it recommends the purchase, sale, or exchange of a certain security, the company shall indicate clearly whether the company or any of its officers or managers has assumed the role of an underwriter for that security, received any fees or commission from the issuer of the security in the preceding twelve months, or expects to receive any fees or commissions as a result of the recommended procedure.

**Article (16)**

In any publication thereby that includes any offer or invitation related to dealing in any security, and in any prospectus where the company is presented as an underwriter, the company shall declare the name of each person, who maintains along with relatives thereof, an interest in (5%) or more of the company's capital.

**Article (20)**

- a. The company shall set out in writing work procedures for dealing with clients, which reflect due diligence, and allow it to serve its clients well. The company shall also take all necessary measures to oversee such procedures, provided this is done in accordance with the regulations and instructions issued for this purpose.
- b. The procedures referred to in Paragraph (a) of this Article shall assign a partner, a member of the Board of Directors or a designee of the company to approve opening new accounts and supervise dealings on behalf of said client. Branch managers shall assume this responsibility in their branches.
- c. The company shall verify the following:
  1. The client's identity, financial capability, and reputation.
  2. Conformity of the sale or purchase being executed for the client's account with general investment criteria and the client's investment objectives.

**Article (24)**

The financial advisor shall make known to the advisee in advance that his role is strictly advisory without guaranteeing outcomes.

**Article (25)**

The investment manager or the financial advisor shall disclose to the client any direct interest he has in any security prior to selling or purchasing such a security for any of the accounts subject to his supervision, management or advice.

**Chapter 6 (General Provisions)****Article (53)**

The company's relationship with licensed certified financial professionals, and with others, including its clients shall be governed by written agreements concluded between the concerned parties.

**Article (59)**

- a. A company may not defame another company or discredit its professional status.
- b. Professional relationships between financial services companies shall be based on fair competition, and cooperation to advance the profession.
- c. The company and its employees shall observe principles of honor, honesty, integrity, fidelity and standards of professional conduct and shall always work so to promote and protect the clients interests.



**Article (60)**

The client may seek compensation from the company for any resulting damages if the company breaches any of its obligations towards the client, or takes any action against his interest, or commits an evident error or violation.

**12.c Business Conduct – Capabilities****c. Capabilities**

*Consideration should be given to what qualifications Exchanges should impose for membership, and for the qualifications of employees. At the very least, individual market participants or their employees should be fit and proper persons without any record of dishonest or seriously fraudulent activities. Professional training should be expected and competence appropriate to a person's professional position should be demonstrated.*

*Exchanges should have financial responsibility rules for market participants. Market participants should adhere to such rules in a manner that does not jeopardise customer funds or securities held as custodian or the ability of a market participant to complete transactions with other market participants. Market participants should be required to monitor and calculate their financial position with sufficient frequency to remain in compliance with market rules on capital adequacy and solvency.*

The majority of information required to demonstrate compliance with this WFE requirement is to be provided by appropriate ASE Departmental questionnaires. The examples provided, below, should be sufficient to meet the JSC's questionnaire requirements.

However, as with other similar questions in this questionnaire it is requested that the JSC, based on its experience in the marketplace, provide any additional information that in the opinion of the JSC may be helpful in supporting the capital market's compliance with this WFE requirement.

**Examples**

The Securities Law  
Temporary Law No. 76 for the Year 2002  
Chapter 2 The Securities Commission

**Article (7)**

A- A Commission known as the (Securities Commission) shall be established, and shall have a legal personality with financial and administrative autonomy. As such, the Commission may acquire movable and immovable property and perform all legal acts necessary to achieve its objectives, including concluding contracts, borrowing, accepting assistance, gifts and donations. The Commission shall have the right to sue and be sued, and may be represented in legal proceedings by the Civil Attorney General or any attorney it appoints for this purpose.

**Article (8)**

A- The Commission shall in particular aim to achieve the following:

1. Protecting investors in securities;
2. Regulating and developing the capital market to ensure fairness, efficiency and transparency;
3. Protecting the capital market from the risks that might face it.

B- In order to achieve its objectives, the Commission shall assume the following main responsibilities and authorities:

5. Regulating and monitoring the Stock Exchange and Trading Markets in Securities.

**Article (15)**

A- The following shall be subject to the Commission's monitoring and supervision in accordance with the provisions of this Law and the regulations, instructions and decisions issued pursuant thereto:

1. Issuers;
2. Licensed Persons;
3. Registered Persons;.
4. The Market;
5. The Center;
6. Mutual Funds and Investment Companies.

The Securities Law  
Temporary Law No. 76 for the Year 2002  
Chapter 7 The Stock Exchange

**Article (67)**

A- 1. A Trading Market in Securities shall be licensed as a Stock Exchange in accordance with the provisions of this Law and the instructions issued by the Board in this regard.

2. An application to license a Trading Market in Securities as a Stock Exchange shall be filed with the Commission, and shall have enclosed therewith its by-laws and instructions governing its activities and such other information and documents as the Board may deem necessary or appropriate for the protection of investors or in the public interest.
- B- A Trading Market in Securities shall not be licensed as a Stock Exchange unless the Board determines that such a Trading Market is organized and has the capacity to enforce compliance by its members and persons associated with its members with the provisions of this Law and the regulations, instructions and decisions issued pursuant thereto, and with its own by-laws and instructions.
- C- The by-laws and instructions of a Trading Market in Securities shall provide for the following:
7. Establishing standards of training, experience and administrative competence for its members and persons employed by such members, and disciplinary measures against those who do not satisfy such;

#### 12.d Business Conduct – Information about Customers

##### **d. Information about Customers**

*This principle should embrace not only the requirement to obtain such information as may be necessary to recommend suitable investments to a customer, but Exchanges may wish to specify the type of the documentation to fulfil such a requirement. This is particularly important where the client has a fiduciary role, for example, a trust or estate or pension fund. Circumstances under which firms exercise discretionary trading powers should be defined, and it should be made explicit that such trading gives rise to other special fiduciary obligations.*

The majority of information required to demonstrate compliance with this WFE requirement is to be provided by appropriate ASE Departmental questionnaires. The examples provided, below, should be sufficient to meet the JSC's questionnaire requirements.

However, as with other similar questions in this questionnaire it is requested that the JSC, based on its experience in the marketplace, provide any additional information that in the opinion of the JSC may be helpful in supporting the capital market's compliance with this WFE requirement.

**Examples**

Jordan Securities Commission – Rules and Regulation

**NOTE: Information cited in the examples, below, are based on the JSC Rules and Regulations by virtue of the Securities Law (23) for the Year 1997. Please add , delete or update information that has changed by virtue of the Securities Law No. 76 for the Year 2002**

**Directives of Licensing Financial Services Companies and Certified Financial Professionals**

Chapter 1 (Financial Services Companies)

**Article (18)**

A financial broker shall not sell any security unless after verifying the ownership thereof.

**Article (20)**

- a. The company shall set out in writing work procedures for dealing with clients, which reflect due diligence, and allow it to serve its clients well. The company shall also take all necessary measures to oversee such procedures, provided this is done in accordance with the regulations and instructions issued for this purpose.
- b. The procedures referred to in Paragraph (a) of this Article shall assign a partner, a member of the Board of Directors or a designee of the company to approve opening new accounts and supervise dealings on behalf of said client. Branch managers shall assume this responsibility in their branches.
- d. The company shall verify the following:
  1. The client's identity, financial capability, and reputation.
  2. Conformity of the sale or purchase being executed for the client's account with general investment criteria and the client's investment objectives.

**2.e Organisational Structure**

*The organisational structure of the exchange should be formal and allow for the correct management of financial market operations. The staff of the exchange needs to be fit and properly qualified for the job. A formalised human resources activity should be established to attract and keep professional staff, avoiding the risk to operations from high turnover.*

The majority of information required to demonstrate compliance with this WFE requirement is to be provided by appropriate ASE Departmental questionnaires. The examples provided, below, should be sufficient to meet the JSC's questionnaire requirements.

However, as with other similar questions in this questionnaire it is requested that the JSC, based on its experience in the marketplace, provide any additional information that in the opinion of the JSC may be helpful in supporting the capital market's compliance with this WFE requirement.

### **Examples**

The Securities Law  
Temporary Law No. 76 for the Year 2002  
Chapter 2 The Securities Commission

#### **Article (8)**

B- In order to achieve its objectives, the Commission shall assume the following main responsibilities and authorities:

4. Regulating and monitoring the Stock Exchange and Trading Markets in Securities.

#### **Article (12)**

The Board shall assume all the necessary authorities to achieve the Commission's objectives in accordance with the provisions of this Law, and carry out the responsibilities and authorities stipulated in accordance with its provisions, including the following:

M- Adopting the accounting, auditing and performance evaluation standards to be followed by the parties subject to the Commission's monitoring;

P- Reviewing the decisions issued by the Market and the Center and terminating their implementation of any of them;

#### **Article (15)**

A- The following shall be subject to the Commission's monitoring and supervision in accordance with the provisions of this Law and the regulations, instructions and decisions issued pursuant thereto:

1. Issuers;
2. Licensed Persons;
3. Registered Persons;.
4. The Market;
5. The Center;
6. Mutual Funds and Investment Companies.

The Securities Law  
Temporary Law No. 76 for the Year 2002  
Chapter 7 The Stock Exchange

**Article (65)**

A- A Stock Exchange known as the Amman Stock Exchange shall be established in the Kingdom, and shall have a legal personality with financial and administrative autonomy. As such, it may acquire and dispose of movable and immovable property to achieve its objectives, carry out all legal acts, enter into contracts and shall have the right to sue and be sued and to authorize any attorney to act on its behalf in legal proceedings.

G- The Amman Stock Exchange shall be subject to monitoring, supervision and inspection by the Commission, which may also audit the Amman Stock Exchange's registers.

**Article (66)**

A- Any deficit in the revenue and expenditures account of the Amman Stock Exchange for any fiscal year shall be covered from the general reserves. If the general reserves are insufficient to cover the deficit, it shall be covered by equal payments from the Amman Stock Exchange's members, which payments shall be credited for members against net future revenues.

B- Notwithstanding what is stated in Paragraph (A) of this Article, the Amman Stock Exchange board of directors may, subject to Board approval, borrow the amounts needed to cover part or all of the deficit.

**Article (67)**

A- 1. A Trading Market in Securities shall be licensed as a Stock Exchange in accordance with the provisions of this Law and the instructions issued by the Board in this regard.

2. An application to license a Trading Market in Securities as a Stock Exchange shall be filed with the Commission, and shall have enclosed therewith its by-laws and instructions governing its activities and such other information and documents as the Board may deem necessary or appropriate for the protection of investors or in the public interest.

B- A Trading Market in Securities shall not be licensed as a Stock Exchange unless the Board determines that such a Trading Market is organized and has the capacity to enforce compliance by its members and persons associated with its members with the provisions of this Law and the regulations, instructions and decisions issued pursuant thereto, and with its own by-laws and instructions.

C- The by-laws and instructions of a Trading Market in Securities shall provide for the following:

1. Charging its members, Issuers and other persons using its facilities any fees and charges in a fair and reasonable manner;

2. Ensuring fairness, efficiency and transparency and preventing fraud, Deception and Prohibited Acts, fostering cooperation and coordination with entities working in the capital market and protecting investors;
3. Laying down fair principles for any differentiation between clients, Issuers, Financial Brokers or Dealers;
4. Imposing disciplinary sanctions upon its members and persons associated therewith for violation of the provisions of this Law and the regulations, instructions and decisions issued pursuant thereto and the provisions of the by-laws and instructions of the Trading Market in Securities;
5. Applying equitable and fair trading procedures;
6. Barring any unjustified or inadequate restraints on competition;
7. Establishing standards of training, experience and administrative competence for its members and persons employed by such members, and disciplinary measures against those who do not satisfy such;
8. Assuring the financial adequacy of its members and for monitoring such.

**Article (71)**

- A- The by-laws and instructions of the Market shall be legally binding upon the members and their clients .
- B- A member shall sign a written commitment upon becoming a member of the Market pursuant to which he undertakes to comply with the Market's by-laws and instructions.
- C- Default in the payment of dues and fees by any member, is deemed a violation of the Market by-laws and instructions and may subject the member to sanctions including fines.

**Article (73)**

- A- The by-laws and instructions of the Market, and any amendments or revisions thereto shall be submitted to the Board for approval prior to their being made effective, and the Board may introduce any amendments thereto.
- B- The Board may request the Market's board of directors to introduce amendments to its by-laws and instructions as it deems necessary in the public interest and for the protection of investors, and within the period specified in the request. At the expiry of the specified period, the Board may introduce the amendments which it deems appropriate. The amendments shall be effective as of the date set by the Board.
- C- The Board may review the decisions issued by the Market to ensure their consistency with the provisions of this Law and the regulations, instructions and decisions issued pursuant thereto, and to take the appropriate decisions thereon.

**Article (74)**

- A- The Market shall charge the commissions, fees and any charges provided for in its by-laws.
- B- The Market may impose fines in accordance with provisions of its by-laws and instructions.
- C- Fines imposed in accordance with the provisions of Paragraph (B) of this Article shall devolve upon the Market.

**2.f Regulatory Infrastructure**

*At a minimum, the official exchange rules should include information on: trading, including transparency and reporting, listing, market participation, discipline and sanctions, clearing and settlement, and recourse procedures.*

The majority of information required to demonstrate compliance with this WFE requirement is to be provided by appropriate ASE Departmental questionnaires. The examples provided, below, should be sufficient to meet the JSC's questionnaire requirements.

However, as with other similar questions in this questionnaire it is requested that the JSC, based on its experience in the marketplace, provide any additional information that in the opinion of the JSC may be helpful in supporting the capital market's compliance with this WFE requirement.

**Examples**

The Securities Law  
Temporary Law No. 76 for the Year 2002  
Chapter 7 The Stock Exchange

**Article (67)**

- A- 1. A Trading Market in Securities shall be licensed as a Stock Exchange in accordance with the provisions of this Law and the instructions issued by the Board in this regard.



C- The by-laws and instructions of a Trading Market in Securities shall provide for the following:

1. Charging its members, Issuers and other persons using its facilities any fees and charges in a fair and reasonable manner;
2. Ensuring fairness, efficiency and transparency and preventing fraud, Deception and Prohibited Acts, fostering cooperation and coordination with entities working in the capital market and protecting investors;
3. Laying down fair principles for any differentiation between clients, Issuers, Financial Brokers or Dealers;
4. Imposing disciplinary sanctions upon its members and persons associated therewith for violation of the provisions of this Law and the regulations, instructions and decisions issued pursuant thereto and the provisions of the by-laws and instructions of the Trading Market in Securities;
5. Applying equitable and fair trading procedures;
6. Barring any unjustified or inadequate restraints on competition;
7. Establishing standards of training, experience and administrative competence for its members and persons employed by such members, and disciplinary measures against those who do not satisfy such;
8. Assuring the financial adequacy of its members and for monitoring such.

**Article (70)**

A- The Market may stipulate membership requirements and conditions, and may refuse the application of any person to become a member or bar him from being employed by a member, if such a person does not meet the standards of training, experience, and competence prescribed by the Market's by-laws and instructions, or if he commits a violation of the provisions of this Law and the regulations, instructions and decisions issued pursuant thereto.

B- In taking any of the measures stated in Paragraph (A) of this Article, the Market shall give the said person opportunity to be heard, record the minutes of investigation, and provide cause for any decision it takes in this regard.

C- The Market shall specify the violations by members or persons associated therewith which are subject to disciplinary measures, and shall notify the member or the said person of the charge, provide such member with the opportunity to be heard, and keep minutes of the hearing. A determination by the Market to impose a disciplinary sanction shall include the following:

1. any act or practice which such member or the person associated therewith has been found to have engaged in, or which such member or person has been found to have omitted;
2. the specific provisions of this Law and the regulations, instructions and decisions issued pursuant thereto, and the provisions of the Market by-laws and instructions which the member or the person associated therewith has violated;
4. the investigation's findings, the sanctions imposed and the reasons therefore.

D- Notwithstanding the foregoing provisions of this Article, where the Market determines that a member is in such financial or operating difficulty that the member cannot be permitted to continue to do business without jeopardizing the interests of investors, creditors, other members, or the Market, the Market shall promptly notify the Commission of this. The Market may also, after notice to the Commission, summarily suspend, limit or prohibit the member's access to its services.

E- In the event summary action is taken pursuant to Paragraph (D) of this Article, the Market shall promptly thereafter conduct a hearing at which the member shall be permitted to dispute the Market's decision .

#### **Article (72)**

B- Every public shareholding company established in the Kingdom, and every Public Issuer in the Kingdom, is required to apply for listing of its outstanding securities for trading on the Market.

C- No Jordanian Issuer shall list its securities on a stock exchange or trading market in securities outside the Kingdom without the Board's prior approval.

D- The Market shall specify in its by-laws and instructions the different sets of standards and conditions for securities to be admitted to trading or listing. The Market may provide for a distinction between listed securities and those admitted to trading. All securities of an Issuer of the same class and type shall be admitted to trading on the same basis.

E- The by-laws and instructions of the Market pertaining to the admission of securities to trading or listing shall provide that the Issuer is required to enter into binding agreements with both the Market and the Center pursuant to which the respective rights and obligations of the Issuer, the Market and the Center shall be established.

#### **Article (74)**

A- The Market shall charge the commissions, fees and any charges provided for in its by-laws.

B- The Market may impose fines in accordance with provisions of its by-laws and instructions.

C- Fines imposed in accordance with the provisions of Paragraph (B) of this Article shall devolve upon the Market.

## 2. g. Funding of the Organization

*The financial soundness of exchange should be the result of a sound business plan. It should show a positive track record for at least 3 years.*

*The annual report of the exchange needs to be certified by an independent chartered accountant, in compliance with International Accounting Standards (IAS), if necessary in the Notes to the Accounts or as a separate statement in addition to compliance with any different local standards.*

The majority of information required to demonstrate compliance with this WFE requirement is to be provided by appropriate ASE Departmental questionnaires. The examples provided, below, should be sufficient to meet the JSC's questionnaire requirements.

However, as with other similar questions in this questionnaire it is requested that the JSC, based on its experience in the marketplace, provide any additional information that in the opinion of the JSC may be helpful in supporting the capital market's compliance with this WFE requirement.

### **Examples**

The Securities Law  
Temporary Law No. 76 for the Year 2002  
Chapter 7 The Stock Exchange

#### **Article (66)**

- A- Any deficit in the revenue and expenditures account of the Amman Stock Exchange for any fiscal year shall be covered from the general reserves. If the general reserves are insufficient to cover the deficit, it shall be covered by equal payments from the Amman Stock Exchange's members, which payments shall be credited for members against net future revenues.
- B- Notwithstanding what is stated in Paragraph (A) of this Article, the Amman Stock Exchange board of directors may, subject to Board approval, borrow the amounts needed to cover part or all of the deficit.

#### **Article (67)**

- C- The by-laws and instructions of a Trading Market in Securities shall provide for the following:
1. Charging its members, Issuers and other persons using its facilities any fees and charges in a fair and reasonable manner;

- E- The board of directors of the Market shall appoint a certified auditor to audit the accounts of the Market.

**Article (71)**

- A- The by-laws and instructions of the Market shall be legally binding upon the members and their clients .
- B- A member shall sign a written commitment upon becoming a member of the Market pursuant to which he undertakes to comply with the Market's by-laws and instructions.
- C- Default in the payment of dues and fees by any member, is deemed a violation of the Market by-laws and instructions and may subject the member to sanctions including fines.

**Article (74)**

- A- The Market shall charge the commissions, fees and any charges provided for in its by-laws.
- B- The Market may impose fines in accordance with provisions of its by-laws and instructions.
- C- Fines imposed in accordance with the provisions of Paragraph (B) of this Article shall devolve upon the Market.

## 13. Transparency

### 13.a Transparency - Statistics

**a. Statistics**

*The market should have a statistics function which allows it to gain insights into the trading activity, activity on the primary market, indices, etc.*

*The methodology used in compiling the statistics should be clearly explained, and diligence, in the best interests of its customers and the integrity of the market.*

The majority of information required to demonstrate compliance with this WFE requirement is to be provided by appropriate ASE Departmental questionnaires. The examples provided, below, should be sufficient to meet the JSC's questionnaire requirements.

However, as with other similar questions in this questionnaire it is requested that the JSC, based on its experience in the marketplace, provide any additional information that in the opinion of the JSC may be helpful in supporting the capital market's compliance with this WFE requirement.

THERE IS NO INFORMATION REQUIRED FROM THE JSC PERTAINING TO THIS COMPONENT OF THE WFE REQUIREMENT.

### 13.b Transparency – Market Information

#### **b. Market Information**

*The Exchange should have systems and procedures in place assuring that important information related to listed companies and of a price-sensitive nature be distributed as soon as possible to all market participants. Pre- and post-trade information should be available for market participants and supervisors. Selected market data should be available to the public, either through the traditional media or using modern communication tools.*

The majority of information required to demonstrate compliance with this WFE requirement is to be provided by responses from the ASE Information Technology Department and the ASE Operations Department questionnaires. The examples provided, below, should be sufficient to meet the JSC's questionnaire requirements.

However, as with other similar questions in this questionnaire it is requested that the JSC, based on its experience in the marketplace, provide any additional information that in the opinion of the JSC may be helpful in supporting the capital market's compliance with this WFE requirement.

#### **Examples**

The Securities Law  
Temporary Law No. 76 for the Year 2002  
Chapter 1 Definitions

#### **Article (2)**

The following words and phrases wherever mentioned in this Law shall have the meanings ascribed thereto hereunder unless the context indicates otherwise:

Material Fact : Any event or datum that, to a reasonable person, would have an effect in making a decision to buy, hold, sell or dispose of a security.

The Securities Law  
Temporary Law No. 76 for the Year 2002  
Chapter 2 The Securities Commission

#### **Article (8)**

A- The Commission shall in particular aim to achieve the following:

1. Protecting investors in securities;
2. Regulating and developing the capital market to ensure fairness, efficiency and transparency;

B- In order to achieve its objectives, the Commission shall assume the following main responsibilities and authorities:

5. Regulating and monitoring the Stock Exchange and Trading Markets in Securities.

### 13.c Transparency – Trading

#### **c. Trading**

*The trading methodology should be transparent, in accordance with principles of fairness and equality and principles for the protection of investors. Principles like "time/price" priority, equitability and integrity must be adhered to.*

*The trading activity should be checked constantly by audit trails, stock watch systems, etc. on a real-time basis if possible. Investors should have access to public data, in order to verify that their orders were executed at a fair price. A firm should try to avoid conflicts of interest, and when they cannot be avoided, should ensure that its customers are fairly treated.*

The majority of information required to demonstrate compliance with this WFE requirement is to be provided by responses from the ASE Information Technology Department and the ASE Operations Department questionnaires. The examples provided, below, should be sufficient to meet the JSC's questionnaire requirements.

However, as with other similar questions in this questionnaire it is requested that the JSC, based on its experience in the marketplace, provide any additional information that in the opinion of the JSC may be helpful in supporting the capital market's compliance with this WFE requirement.

#### **Examples**

The Securities Law  
Temporary Law No. 76 for the Year 2002  
Chapter 1 Definitions

**Article (2)**

The following words and phrases wherever mentioned in this Law shall have the meanings ascribed thereto hereunder unless the context indicates otherwise:

The Trading Market  
In Securities:

Any organized market or periodic or continuous use of media of public communication to enable trading of securities and financial assets.

The Market/ Stock  
Exchange:

The Amman Stock Exchange or any Trading Market in Securities licensed by the Commission in accordance with the provisions of this Law.

**Article (6)**

Notwithstanding what is stated in any other legislation, the provisions stipulated in this Law and the regulations, instructions and decisions issued pursuant thereto shall apply to company shares and other traded securities on the Market with respect the following matters:

- A- The rights of the parties arising out of the sale, purchase or transfer of securities;
- F- The conclusion and documentation of trading contracts and means of their proof and cancellation.
- G- The dealing in securities.

The Securities Law  
Temporary Law No. 76 for the Year 2002  
Chapter 2 The Securities Commission

**Article (8)**

A- The Commission shall in particular aim to achieve the following:

1. Protecting investors in securities;
2. Regulating and developing the capital market to ensure fairness, efficiency and transparency;
3. Protecting the capital market from the risks that might face it.

B- In order to achieve its objectives, the Commission shall assume the following main responsibilities and authorities:

5. Regulating and monitoring the Stock Exchange and Trading Markets in Securities.

The Securities Law  
Temporary Law No. 76 for the Year 2002  
Chapter 7 The Stock Exchange

**Article (67)**

- A- 1. A Trading Market in Securities shall be licensed as a Stock Exchange in accordance with the provisions of this Law and the instructions issued by the Board in this regard.
2. An application to license a Trading Market in Securities as a Stock Exchange shall be filed with the Commission, and shall have enclosed therewith its by-laws and instructions governing its activities and such other information and documents as the Board may deem necessary or appropriate for the protection of investors or in the public interest.
- B- A Trading Market in Securities shall not be licensed as a Stock Exchange unless the Board determines that such a Trading Market is organized and has the capacity to enforce compliance by its members and persons associated with its members with the provisions of this Law and the regulations, instructions and decisions issued pursuant thereto, and with its own by-laws and instructions.
- C- The by-laws and instructions of a Trading Market in Securities shall provide for the following:
2. Ensuring fairness, efficiency and transparency and preventing fraud, Deception and Prohibited Acts, fostering cooperation and coordination with entities working in the capital market and protecting investors;
  3. Laying down fair principles for any differentiation between clients, Issuers, Financial Brokers or Dealers;
  4. Imposing disciplinary sanctions upon its members and persons associated therewith for violation of the provisions of this Law and the regulations, instructions and decisions issued pursuant thereto and the provisions of the by-laws and instructions of the Trading Market in Securities;
  5. Applying equitable and fair trading procedures;
  6. Barring any unjustified or inadequate restraints on competition;
  7. Establishing standards of training, experience and administrative competence for its members and persons employed by such members, and disciplinary measures against those who do not satisfy such;

**Article (69)**

- A- A Financial Broker or Dealer shall not trade in securities of a Public Issuer except on a stock exchange, unless such a security is exempt from this condition by the Board.



- B- Trading on the Market shall be carried out only through trading contracts between Brokers, either on behalf of clients or for their own account. The contracts shall be recorded in the Market registers in accordance with the Market by-laws and instructions, which shall be binding upon all parties to the trading.
- C- The entry records of the Market registers and accounts, whether manual or electronic, as well as any document issued by the Market pursuant thereto, shall constitute *prima facie* legal evidence of the trade and date stated therein unless proven otherwise .

**Article (71)**

- A- The by-laws and instructions of the Market shall be legally binding upon the members and their clients .
- B- A member shall sign a written commitment upon becoming a member of the Market pursuant to which he undertakes to comply with the Market's by-laws and instructions.

**14. Foreign Investment**

*In the event that foreign investors are not allowed to trade domestic securities, and domestic investors are unable to trade foreign securities, a time plan should exist for the abolition of existing restrictions, including the authorities concerned. There should be no approval needed for foreign investment ; no inward or outward foreign exchange remittance restrictions that cause delays; no special classes of shares for foreign investors; no or minimal restrictions on the foreign ownership of home market securities.*

*The entire financial market must observe banking and other financial rules and regulations that exist for the prevention of money laundering and similar misuse of the financial markets to the detriment of their integrity and honesty.*

**Examples**

Jordan Securities Commission – Rules and Regulation

**NOTE: Information cited in the examples, below, are based on the JSC Rules and Regulations by virtue of the Securities Law (23) for the Year 1997. Please add , delete or update information that has changed by virtue of the Securities Law No. 76 for the Year 2002**

## Foreign Investment and Privatization

Jordan has made remarkable strides towards economic reforms and is courageously facing the new trends of change and involvement in the global economy. It is now a member of the World Trade Organization (WTO), and enjoys a partnership agreement with the European Union in economic, Financial, Political, Social and human fields. The diligence and profound care over maintaining structural and legal reforms has made Jordan a country with numerous opportunities of investment and business in all forms. As the Government is committed to liberalize and increase the openness of the economy, foreign investment is facilitated in the economy and particularly in the capital market. Economic laws and regulations have been updated to make them investment friendly. In this regard the Regulation of Non-Jordanian Investment Promotion removed any bias against foreign investment and discrimination in awarding incentives. Also, the Regulation abolished the non-Jordanian ownership ceiling of 50% in any sector in the economy except for the sectors of retail and commercial services. Non-Jordanians are allowed to own up to 100% in other sectors. It is worth noting that all restrictions on capital flows have been lifted. There are no limits or restrictions on repatriation of capital, earnings and salaries of foreign investment.

Non-Jordanians investment at the Amman Stock Exchange amount to 41.7% of the total market value. 36.1% belong to Arab investors and 5.6% belong for non-Arab investors. Non-Jordanian investments at year-end 2000 are divided into four main sectors; namely, banks 55.2%, insurance 17.9%, services 21.3% and industry 30.2%. In 1997, the Government embarked on a privatization program aiming at orienting the Jordan's economy more towards private sector, attracting more local and foreign investments, increasing the efficiency of enterprises and deepening the financial market. An organizational structure was created to set policy, provide oversight and implement the privatization program. This included the formation of the Higher Committee for privatization (HCP), the Executive Privatization Unit at the Prime Ministry (EPU). The Royal Consent on Privatization Law NO.25 of 2000 was granted on 2/7/2000. The law, which was published in the official Gazette, provides for the legal and institutional frameworks for privatization program in Jordan, including transparency and the establishment of a special fund for privatization revenues. The first major step toward privatization was privatizing the Telecommunication Corporation, which was transferred to a public shareholding company.

The new company's capital is US\$353 million and was fully owned by the Government. In January 2000 the Government has privatized 49% of the new company, with 40% bought by France Telecom and partners, 8% by Jordan Social Security Corporation and 1% to the staff. Another major step was in 1998 when the Government sold part of its shares in the Jordan Cement Company equaled to 33% of the Company's Capital at a value of US \$101 million to the French company Lafarge, and 2% to the Company's employees.

There are other cases of privatization that were implemented in line with the Government privatization strategy, where 34 out of 40 companies targeted for privatization have been privatized. Out of these, six of the eight major privatization transactions have been completed. The completed transactions include Jordan Cement Factories (JCF), Public Transportation Corporation (PTC), Water Authority of Jordan (WAJ), the Ma'een Spa, the Aqaba Railway Corporation (ARC) and the Jordan Telecom Company and 28 of the Government smaller holdings in the portfolio of the Jordan Investment Corporation (JIC). Some of the remaining major transactions, Royal Jordanian Airlines and Postal Services, are well under way and is expected to be completed during 2001.

## 15. Compliance with the Federation Recommendations

*Members and candidates for membership of World Federation of Exchanges are obligated to bring their business operations in line with these recommendations as rapidly as is feasible, and to assure that they remain in line or become even better.*

In order to provide supporting compliance with this WFE requirement it is requested that the JSC provide information evidencing the historic commitment of the JSC to the ongoing implementation of generally accepted international standards.

It is suggested that the JCS provide a historic listing of the JSC's involvement with and commitment to international organizations such as IOSCO. Additionally, it would be beneficial if the JSC could provide a listing of the JSC's participation in international conferences, seminars, workshops, etc. A possible format for such information is provided, below.

Event	Date	Subject Matter



# **MARKET PRINCIPLES 2002**





## 1. Purpose

The World Federation of Exchanges Market Structure Best Practices annex has provided guidance as to the minimum level of organisation, regulation and supervision a securities market<sup>1</sup> needs to have in order to qualify as an organised market. They also serve as a checklist for those securities markets wishing to become a member of the World Federation of Exchanges. Whilst this paper serves as the basis of preparing an application for membership, members are reminded that they need to maintain them on a continuous basis, and be subject to disclosure and monitoring as agreed at the 1997 General Assembly.

Exchanges<sup>2</sup> should be aware of, and will have to be responsive to, the directives and concerns of relevant self-regulatory and government authorities<sup>3</sup> which have jurisdiction over them. They must adhere to the full extent of their authority the compliance of market users<sup>4</sup> with the requirements of the market and of its applicable laws, rules and regulations.

The following points should be addressed:

## 2. Organisation and Operations

Exchanges should have available and maintain adequate organisational infrastructure and operational resources to enable them to offer the proper tools for trading in securities.

### a. Legal Status

The exchange should have the legal status of a recognised securities market in the country in which it is domiciled. A national securities law should be enacted covering the exchange(s), its powers and obligations.

### b. Statutes

The exchange should have properly drafted Statutes, at a minimum covering its governance, the composition of the governing body, indicators for constituents from which council members are appointed/elected, its mission, and its rules and regulations.

### c. Market participants

The requirements for market participants should cover: objective qualifications, experience, structure, capital adequacy, rules, disciplinary issues, and rights and obligations. Foreign market participants should normally be allowed, adopting mutual recognition of World Federation of Exchanges member market participants<sup>5</sup>. Traders should be authorised to act only at the end of a structured training process and after having passed a qualifying exam.

### d. Monitoring of Market participants

On an on-going basis, the exchange should have infrastructure in place for the supervision for which it has responsibility, indicating the frequency of monitoring, the scope of its authority, actions to be taken in case of non-compliance, etc. The financial and trade reporting obligations of market participants should have their formal basis here. The exchange's oversight should encompass capital adequacy, position limits, collateral quantity and quality, internal compliance rules, market conduct and behaviour, etc.

### e. Organisational Structure

The organisational structure of the exchange should be formal and allow for the correct management of financial market operations. The staff of

the exchange needs to be fit and properly qualified for the job. A formalised human resources activity should be established to attract and keep professional staff, avoiding their risk to operations from high turnover.

### f. Regulatory Infrastructure

At a minimum, the official exchange rules should include information on trading, including transparency and reporting, listing, market participation, discipline and sanctions, clearing and settlement, and recovery procedures.

### g. Systems

The exchange should have systems in place that are of sufficient capacity to ensure the operation of an orderly market and to handle its business activities. Contingency scenarios and contingency plans must be drawn up, and back-up procedures tested on a regular basis.

### h. Funding of the Organisation

The financial soundness of exchange should be the result of a sound business plan. It should show a positive track record for at least 3 years. The annual report of the exchange needs to be certified by an independent chartered accountant, in compliance with International Accounting Standards (IAS), if necessary in the Notes to the Accounts or as a separate statement in addition to compliance with any different local standards.

## 3. Access to the Market

The market should be designed to operate in a manner equitable to all who access it. Any differences in treatment among users, regardless of the means of access (electronic or other) must not be tolerated. Access to the market should not be arbitrarily granted, and no discrimination should be shown.

Procedures should be established such that market participants affirm the competence, integrity, financial soundness and authority, and that adequate supervision be in place.

Exchange rules and regulations must stipulate:

- terms and conditions for equal access to the market, including those to do with financial integrity and business ethics;
- the professionalism of intermediaries and their employees;
- minimum capital requirements and solvency of intermediaries;
- compliance instruments that safeguard the standing and credit worthiness of intermediaries;
- enforcement and disciplinary procedures, including the sanctions to be applied; and,
- management of conflicts of interest among and within market users.

## 4. Listing of and disclosure on traded financial products

Exchanges should require:

- that listed companies be of an adequate size and have sufficient shares in hands of the public to safeguard an orderly and fair market;
- timely, and the widest possible disclosure of business and financial information materially affecting listed companies;
- regular disclosure of financial information by listed companies; and,
- disclosure to investors of the nature, risk and investment potential inherent in the traded financial products.

1 - "Securities Market" as used in these Principles includes a market for financial derivative products and means any entity that organises, but does not itself provide, trading among multiple liquidity providers.

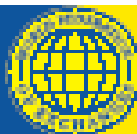
2 - "Exchange" means that entity which has discretionisation over its market, regardless of the legal form of market organisation and/or the financial products traded.

3 - For the following "self-regulatory and government agencies" will be referred

to as "regulator". The regulator can be created based on self-regulation, a co-operative arrangement with the government agency or a government agency alone.

4 - "Market users" include intermediaries, customers, investors and subscribers to market information.

5 - Securities trading



Exchanges should work towards:

- regulatory co-ordination among markets where financial products are jointly listed, in order that there be a synchronised disclosure of information; and,
- the support of cross-border listing and trading.

The listing procedures, time schedule for the processing of the dossier, costs for the company, minimum size of capitalisation, and other requirements should be compiled in one rulebook, which is publicly available. In case listing responsibilities are shared with the supervisory agency, it should be clear where the ultimate decision in the listing process lies. Foreign issuing companies should be subject to the same rules as the domestic ones.

The procedure to gain listing should be sufficiently long to assure that all the requirements of the Exchange have been fully complied with, but not so long as to impair access to the capital market.

## 5. Trading

The accountability of the Exchange to market users should be described, especially in any agreements that seek to modify the distribution of responsibilities among actors.

Transaction audit trails should be available to investors and regulators; only the information to regulators will include non-public information. Pre- and post-trade information should be provided on a timely basis.

The Exchange should be able to demonstrate to the regulator that the processing, pricing, and display of prices and quotations within the market are equitable to all classes of participants.

The transparency of the market is a crucial element of fairness and must be assured at all times. Although markets may offer different degrees of transparency depending upon the balance struck between transparency and liquidity, nevertheless, whatever the structure transactions must be reported immediately to the exchange, with details as to price and volume.

Exchanges should undertake:

- to promote well balanced transparency by publicly disclosing transaction data;
- to establish and maintain trading rules to protect investors, such as "best execution" rules, regulatory trading halts, etc.
- to create transparency with respect to the capacity in which the intermediaries operate.

The market should allow for cross-border trading. Duplicative regulation of the same market by the authorities in the jurisdiction in which it is located ("home country regulator") and those in the jurisdiction in which the issuing party is located ("host country regulator") should be avoided. Foreign players should have identical rights - and obligations - as local players, provided their business attitude and financial soundness are comparable to those required in the market of the access provider.

The basic principle should be that national supervisory agencies must respect each other's efforts to assure that a securities market complies with generally accepted investor protection standards, such as disclosure, transparency and efficiency. This mutual recognition of each other's regulatory status and professional competence requires a good understanding of the mechanics and underlying approaches taken in that country.

## 6. Clearing and Settlement

The clearing and settlement facilities provided by the Exchange, its subsidiaries or

others must provide for the efficient, safe and prompt settlement of transactions within the internationally accepted standards of the G-SM and ESF, or be better. The Exchange will:

- make adequate arrangements for safe and timely clearing, and correct and final settlement of the transactions concluded in the market;
- see to it that cross-border clearing and settlement activities are facilitated;
- be instrumental in the development of national central securities depositories, immobilisation, dematerialisation of securities, lending and borrowing contracts and arrangements;
- contribute to the standardisation and implementation of securities industry practices;
- assure that ownership of securities should be explicitly embedded in national law. A well-defined system of laws relating to property contracts, securities, trusts, bankruptcy and taxation should exist.

## 7. Technical Infrastructure

The market IT system should maintain adequate capacity to meet the needs of market users. Back-up systems and contingency procedures to be followed in the event of an operational failure are to be maintained on a current, ready basis. Before implementation and on a periodic basis thereafter, the market and system interfaces should be subject to an objective risk assessment to identify vulnerabilities, which may exist in the system design, development, implementation. These would include the risk of unauthorised access, internal failures, human errors, attacks and natural catastrophes.

## 8. Risk Management

Regulators and the Exchange should consider any risk exposures pertinent to the system, including those arising from interaction with related financial systems, domestic or abroad. This would include the foreign exchange markets, derivative markets, the banking market and payment systems.

To assure the financial integrity of the market and the ability of its participants to fulfil their obligations as users, the Exchange should have in place risk management tools, such as position limits, margin requirements, minimum capital requirements, mark-to-market systems, etc.

## 9. The Settlement of Disputes, dealing with Complaints of Investors, and Arbitration Facilities

The Exchange should put facilities in place which offer effective treatment of disputes and complaints from investors regarding the behaviour and business conduct of intermediaries. These should be as simple and expeditious as possible, within the limitations of national law.

## 10. Supervision, Surveillance & Enforcement

The Exchange must assure that mechanisms are in place to ensure that the information necessary to conduct adequate surveillance of the market for supervisory and enforcement purposes is available on a timely basis.

The securities regulatory agency must be established with broad inspection and enforcement authority and adequate oversight over the players in the market. Its enforcement of applicable regulations must be transparent. In case of a division of regulatory responsibilities between the Exchange and the regulator, the responsibilities and powers of each party should be formalised and cover the entire area to be supervised.

Markets, which have a separate banking supervisor, should have a clear separation



of responsibilities, in the event that banks may be actors on the securities markets. Regulatory co-ordination between the regulators should be fostered.

The Exchange should report to the regulator when it becomes aware that reasonable grounds exist to suspect that a market user may have violated the jurisdiction's laws, or its internal rules and regulations.

Records made or received by the Exchange stemming from the operation of its trading system, relating to financial statements, and data regarding indications of market interest, quotations, orders, and trades in the system itself should all be preserved for a reasonable period of time, in most instances meaning many years. These should be furnished promptly upon request by the relevant regulator.

## 11. INVESTOR PROTECTION

Specific rules and regulations, like on disclosure and transparency that serve to protect investors should be in place. These include guarantees such as compensation funds, insurance policies or their equivalent. If the Exchange or a related organization holds or safeguards funds intended to guarantee the clearing of trades, or to compensate investors in the event of the insolvency of a member of the market, procedures and controls should be implemented to assure the availability of those funds. These funds are on stand-by as a lender of the last resort to the market.

A specific regime should be in place for staff of the Exchange and the clearinghouse/depository, to avoid conflicts of interest and insider trading. Comparable rules should be in place for all other users of the market. Insider trading and other forms of unfair markets should be prohibited, either by law or code of conduct, with adequate enforcement tools available.

Brokers and banks must assure absolute segregation between clients' money and their own accounts, and respect the priority in which client orders are executed.

## 12. BUSINESS CONDUCT

One of the most important parameters for regulated markets is the level of investor confidence achieved through both the national legal environment and the market regulatory infrastructure. An important element of investor confidence is the fair treatment of the customer. This section elaborates the IOSCO International Conduct of Business Principles (the IOSCO Principles)<sup>4</sup> and puts them in the context of markets, their participants and customers. It aims at offering a benchmark of best practice against which members which have existing codes or formal regulations could test their practices and perhaps revise their codes.

Obligations that may be imposed on listed companies, their employees, or investors are not covered here.

### a. Necessity and Fairness

A stock market's pricing system being its key function, members of the financial community should honour the integrity of the price formation mechanism.

Market participants should go further than avoiding misleading or deceptive acts or representations. They should refrain from any action that would hinder or disrupt the fair and orderly functioning of the market. They should not spread rumours or false information about listed issuers and refrain from any activities designed to mislead others about the true state of the market. Therefore, consideration should be given to outlawing specific manipulative practices, such as trades that involve a change of

beneficial ownership or trades that give a false appearance of activity.

Although manipulation of prices (including insider dealing) may be prohibited by statutory law as well as exchange rules, specific trading strategies may not be interdicted. In permitting new trading strategies, stock markets should take into consideration the integrity of their pricing mechanisms, provided, however, that such consideration should not be an excuse for anti-competitive decision-making.

### b. Diligence

The diligence required in effecting securities transactions is best execution of customer orders. This involves executing agency orders promptly and if a market order, at the best available price. Charges should be an agreed upon, or else be based on a customary, commission that is fully disclosed. Diligence also involves executing net trades or principal orders at a price closely related to the market price, especially where off-market trading is permitted and disclosing, as may be appropriate to the marketplace, the basis of the mark up or mark down to the customer. Whether the firm is acting in its capacity as principal or agent should also be disclosed to customers.

Recommendations by market participants or their employees to customers as to the purchase or sale of securities should be based on adequate and reliable information about the issuer and the nature of the financial instrument. An underwriter should exercise due diligence with regard to an issuer's business affairs and financial condition when preparing an offering.

Where an involuntary sale of a customer's securities must be made (due to an uncovered margin call or for other reasons), the market participant should conduct that sale with skill and due care to follow market pricing.

### c. Capabilities

Consideration should be given to what qualifications Exchanges should impose for membership, and for the qualifications of employees. At the very least, individual market participants or their employees should be fit and proper persons without any record of dishonest or seriously fraudulent activities. Professional training should be expected and competence appropriate to a person's professional position should be demonstrated.

Exchanges should have financial responsibility rules for market participants. Market participants should adhere to such rules in a manner that does not jeopardise customer funds or securities held as custodian or the ability of a market participant to complete transactions with other market participants. Market participants should be required to monitor and calculate their financial position with sufficient frequency to remain in compliance with market rules on capital adequacy and solvency.

### d. Information about Customers

This principle should embrace not only the requirement to obtain such information as may be necessary to recommend suitable investments to a customer, but Exchanges may wish to specify the type of the documentation to fulfil such a requirement. This is particularly important where the client has a fiduciary role, for example, a trust or estate or pension fund. Circumstances under which firms exercise discretionary trading powers should be defined, and it should be made explicit that such trading gives rise to other special fiduciary obligations.

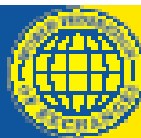
### e. Information for Customers

A confirmation of each transaction should be sent to customers, including acts of such information as may be appropriate to confirm fair dealing. There should be disclosure of such facts as may impair a firm's independence in its dealings with customers. Market participants should keep and maintain a detailed record of each trade, in order to be able to respond to customer or

4 - The IOSCO Principles (see Annex 1) were promulgated by IOSCO at its Santiago, Chile, November 22-24, 2000 meeting when the President Committee of IOSCO approved a Resolution. The Resolution called upon all members of IOSCO to incorporate the IOSCO Principles regarding basic standards of business conduct for financial firms, to implement

them through their regulatory measures and effective supervisory management, and to try to promote the IOSCO Principles in their own countries. Each IOSCO member was left free to decide whether to implement the IOSCO Principles in the form issued by IOSCO, or to reflect them in its own principles adapted to local circumstances.





the Exchange concerning best execution.

A market participant should disclose its financial condition to customers upon request.

#### f. Conflicts of Interest

The increased complexity and sophistication of the securities business, along with the deregulation of the industry, has led to more numerous conflict of interest situations. Conflicts need to be managed in such a way that customers are not at a disadvantage. The most common conflicts include those between a market participant's investment banking, trading, research, mergers and acquisitions advisory business, and lending activities. Where feasible, conflicts should be managed by obtaining the informed consent of customers to a transaction. In addition, the management of conflicts may be ameliorated by the creation of appropriate Chinese walls.

Market participants should be especially sensitive to the conflicts that may exist between their trading activities and other commercial operations. Recommendations to customers must be based on the interests of customers and not be made to increase or reduce a market participant's trading position. Market participants and their employees cannot be permitted to effect trades for their own accounts ahead of customers' orders.

#### g. Compliance

Market participants should ensure that their partners or officers and directors are sufficiently active in the affairs of the firm to demonstrate their compliance with statutory and self-regulatory obligations.

Firms should develop systems for the supervision of accounts of employees and compliance with applicable regulation.

Codes of conduct for Exchange staff members as well as employees from market participants should be formulated. A system for reporting of employee securities transactions should be put in place by Exchanges and market participants. Such a system should include the need for prior consent by market participants for employees to maintain accounts of any other market participant.

Market participants should keep accurate and detailed records and ensure that all reports to be made are honest. Market participants should conform to the just and equitable principles of conduct embodied in exchange rules and commonly practiced in the marketplace in which they conduct business.

## 13. TRANSPARENCY

#### a. Statistics

The market should have a statistical function which allows it to gain insights into the trading activity, activity on the primary market, indices, etc. The methodology used in compiling the statistics should be clearly explained.

#### b. Market Information

The Exchange should have systems and procedures in place ensuring that important information related to listed companies and of a price-sensitive nature be distributed as soon as possible to all market participants. Pre- and post-trade information should be available for market participants and supervisors. Selected market data should be available to the public, either through the traditional media or using modern communication tools.

#### c. Trading

The trading methodology should be transparent, in accordance with principles of fairness and equality and principles for the protection of investors. Principles like 'time/price' priority, equitability and integrity must be adhered to.

The trading activity should be checked constantly by audit trails, stock watch systems, etc. on a real-time basis if possible. Investors should have access to public data, in order to verify that their orders were executed at a fair price.

## 14. FOREIGN INVESTMENT

In the event that foreign investors are not allowed to trade domestic securities, and domestic investors are unable to trade foreign securities, a time plan should exist for the abolition of existing restrictions, including the authorities concerned.

There should be no approval needed for foreign investment; no inward or outward foreign exchange restrictions that cause delays; no special classes of shares for foreign investors; as or minimal restrictions on the foreign ownership of home market securities.

The entire financial market must observe banking and other financial rules and regulations that exist for the prevention of money laundering and similar misuse of the financial markets to the detriment of their integrity and honesty.

## 15. COMPLIANCE WITH THE FEDERATION RECOMMENDATIONS

Members and candidates for membership of World Federation of Exchanges are obligated to bring their business operations in line with these recommendations as rapidly as is feasible, and to assure that they remain in line or become even better.

The Market Principles were reviewed at the 1998 General Assembly.

## ANNEXE 1 : The IOSCO Principles

The Principles recommended by IOSCO are :

#### 1. Honesty and Fairness

In conducting its business activities, a firm should act honestly and fairly in the best interests of its customers and the integrity of the market.

#### 2. Diligence

In conducting its business activities, a firm should act with due skill, care and diligence, in the best interests of its customers and the integrity of the market.

#### 3. Capabilities

A firm should have and employ effectively the resources and procedures which are needed for the proper performance of its business activities.

#### 4. Information about Customers

A firm should seek from its customers information about their financial situation, investment experience and investment objectives relevant to the services to be provided.

#### 5. Information for Customers

A firm should make adequate disclosure of relevant material information in its dealings with its customers.

#### 6. Conflicts of Interest

A firm should try to avoid conflicts of interest, and when they cannot be avoided, should ensure that its customers are fairly treated.

#### 7. Compliance

A firm should comply with all regulatory requirements applicable to the conduct of its business activities so as to promote the best interests of customers and the integrity of the market.

# THE MEMBER EXCHANGES

American Stock Exchange  
Athens Stock Exchange  
Australian Stock Exchange  
Barcelona Stock Exchange  
Buenos Aires Stock Exchange  
Bolsa de Comercio de Buenos Aires  
Bolsa de Comercio de Santiago  
Bolsa de Madrid  
Bolsa de Valencia  
Bolsa de Valores de Bilbao  
Bolsa de Valores de Lima  
Bolsa de Valores de Lisboa  
e Porto - BVL  
Bolsa de Valores do Rio de Janeiro  
Bolsa de Valores do São Paulo  
Bolsa Mexicana de Valores  
Bourse de Luxembourg  
Bourse de Montréal  
Budapest Stock Exchange  
Canadian Venture Exchange  
Chicago Board Options Exchange  
Chicago Stock Exchange  
Colombo Stock Exchange  
Copenhagen Stock Exchange  
Deutsche Börse AG  
Euronext Amsterdam  
Euronext Brussels  
Euronext Paris  
Helsinki Exchanges  
Hong Kong Exchanges and  
Clearing  
Irish Stock Exchange  
Istanbul Stock Exchange  
Italian Exchange  
Jakarta Stock Exchange  
JSE Securities Exchange,  
South Africa  
Korea Stock Exchange  
Kuala Lumpur Stock Exchange  
Ljubljana Stock Exchange  
London Stock Exchange  
Malta Stock Exchange  
National Association of Securities  
Dealers  
New York Stock Exchange  
New Zealand Stock Exchange  
Osaka Securities Exchange  
Oslo Børs  
Philippine Stock Exchange  
Singapore Exchange  
Stock Exchange of Thailand  
Stockholmsbörsen  
SMX Swiss Exchange  
Taiwan Stock Exchange Corp.  
Tehran Stock Exchange  
Tel-Aviv Stock Exchange  
Tokyo Stock Exchange  
Toronto Stock Exchange  
Warsaw Stock Exchange  
Wiener Börse

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May 12, 2004

Mr. Thomas Krantz  
Secretary General  
World Federation of Exchanges  
176 rue de Rivoli  
75001 PARIS

Mr. Krantz;

I have received the e-mail reply, including the Initial Information Sheet for Future Affiliates, from Ms. Antoinette Di Massa of your office. I have attached the completed Information Sheet in order to initiate the Affiliate membership process.

Additionally, I would like to request a brief meeting with you, or members of your office, at a convenient time while you and/or they are attending the IOSCO Annual Meeting in Amman from May 17<sup>th</sup> through May 20<sup>th</sup>. The purpose of the meeting would be to discuss the approach the Amman Stock Exchange has adopted in compiling its membership application, to clarify the specifics of the World Federation of Exchange's application procedural requirements and to provide your office with a concise summary of the application preparations undertaken by the Amman Stock Exchange to date.

The meeting requested would be most appreciated and would be extremely beneficial for us in pursuing our application efforts. I do look forward to hearing from you and hopefully meeting with you while you are in Amman.

Best Regards,

Jalil Tarif  
The Executive Manager

cc: Jordan Securities Commission  
Securities Depository Center

May 31, 2004

Mr. Thomas Krantz  
Secretary General  
World Federation of Exchanges  
176 rue de Rivoli  
75001 PARIS

Mr. Krantz;

I wish to thank you for the helpful information and Future Affiliates Information sheet received from your office on April 26, 2004. The Exchange has completed the Future Information Affiliates Sheet and returned it to your office prior to the May 15<sup>th</sup> deadline.

The purpose of this letter is to inquire further as to the customary time period required prior to the Amman Stock Exchange (ASE) submitting its application for full membership in the World Federation of Exchanges(WFE).

During the IOSCO Annual Meeting held in Amman from May 17<sup>th</sup> through May 20<sup>th</sup> the ASE had an opportunity to discuss its plans for full membership in the WFE with several WFE member Exchanges from the region. Over the past four years the ASE has established and maintained business and professional relationships with these WFE member Exchanges and continues to have ongoing, extensive interaction with these Exchanges especially in relation to the creation of a regional securities Exchange. The ASE also met with the National Association of Securities Dealers, USA (NASD) to discuss its full membership application. As a result of these meetings the regional WFE member Exchanges and the NASD have offered to assist the ASE in advancing its WFE full membership efforts.

It would be greatly appreciated if you could provide us with information regarding the advancement of the ASE's full membership process and what would be the most effective form of assistance to be provided by the current WFE regional members and the NASD.

I have attached a copy of our Annual Report for 2003 for your review. I thank you in advance for your consideration of this matter and look forward to hearing from you in the near future.

Regards,

Jalil Tarif  
Chief Executive Officer

cc: Jordan Securities Commission  
Securities Depository Center

April 22, 2004

Mr. Thomas Krantz  
Secretary General  
World Federation of Exchanges  
176 rue de Rivoli  
75001 PARIS

Mr. Krantz;

As an integral part of its strategic business plan the Amman Stock Exchange's (ASE) intends to apply for Membership in the World Federation of Exchanges. The ASE's decision is based on the significant progress achieved in the Jordanian capital markets over the past seven years and the sustained regulatory, operational and business growth experienced in our marketplace.

A securities marketplace had been in existence in Jordan since 1978 operating as a single entity known as the Amman Financial Market. However, with the enactment of the Securities Law of 1997 a modern securities market structure was created. The Securities Law of 1997 established three distinct and independent institutions: the Jordan Securities Commission, the Amman Stock Exchange and the Securities Depository Center structured to support the orderly conduct of business in the Jordanian capital markets.

Since 1997 the Jordanian capital market has implemented a significant number of enhancements to materially increase its ability to integrate with and participate in, an increasingly globalized securities marketplace. All of the Jordanian capital market institutions have expended considerable effort in attaining material compliance with generally accepted global standards and best practices including those standards and best practices recommended by:

- The World Federation of Exchanges Market Principles 2002
- The International Organization of Securities Commissions (IOSCO)
- The Group of 30 (G-30)
- The Group of 10 (G-10) Committee on Payment and Settlement Systems (CPSS)
- The US Securities & Exchange Commission – Rule 17f-7 (17 CFR Part 270) on Requirements for an Eligible Securities Depository

The enhancements implemented since 1997 have substantially improved the legislative, regulatory, business, operational and technical components of our capital markets. The work of the three major Jordanian capital market institutions has included, but has not been limited to:

- Replacement of Open Outcry Trading with a modern, Automated Order Driven Trading System
- Implementation of electronic Market Data Dissemination facilities
- Implementation of a modern, automated Clearing & Settlement and Shareholder Registry System

- Implementation of Share Ownership Authentication System by the Securities Depository Center
- Enactment of a new Securities Law in 2002
- Regulatory approval of comprehensive new By-Laws & Directives by the Jordan Securities Commission for:
  - ♦ The Amman Stock Exchange
  - ♦ The Securities Depository Center
- Development and Implementation of a Broker Certification & Licensing regime by the Jordan Securities Commission
- Development of an Investment Advisor Program by the Jordan Securities Commission in cooperation with the U.S. National Association of Securities Dealers (NASD)
- Jordanian Securities Commission hosting of US SEC Regional Capital Markets Training Program attended by over 100 regional participants
- Election of the Jordan Securities Commission as a member of the Executive Committee of IOSOC
- Election of the Jordan Securities Commission as Vice Chairman of IOSCO's Emerging Markets Committee
- Significant participation by the Jordan Securities Commission in the ongoing work of IOSCO's task groups
- Election of the Jordan Securities Commission's to host the IOSCO Annual Meeting for 2004, in Amman, during May 17-20, 2004

Statistics compiled by the ASE as of March 31, 2004 support the important role of the securities markets in the Jordanian economy. As of this date the market capitalization of the ASE was 120% of Jordan's GDP. Statistical work performed by the ASE on a continuing basis demonstrates the fact that the ASE's market capitalization, as a percentage of GDP, has been consistently over 100% for quite a period of time.

Based on a comprehensive review of the substantial progress realized in the Jordanian securities market since 1997 and a comparative regulatory, operational and technical analysis with current WFE members the ASE, in consultation with the Jordan Securities Commission and the Securities Depository Center has decided to apply for Membership in the WFE.

The primary purpose of my letter is to seek your opinion and comments on the structure of our application in order that the considerable time and effort to be expended by the Jordanian capital market institutions in submitting the membership application will be applied in a manner that is consistent with the general procedural formats of the WFE.

I have attached, for your opinion and comment, an outline of our proposed application structure. The opinion and comments sought are related to the format of the application and not to the content of the application. Additionally, the ASE is aware of the fact that the ASE's application, if acceptable to your office, will require a review of the application by a minimum of two current WFE members.

It would be most appreciated if the Secretary General's Office could provide the ASE with any information possible and permissible related to the potential group of current WFE members from which review members may be selected.

In closing, I would like to thank you in advance for your consideration in reviewing the information provided and to extend an invitation to you and members of your staff to visit the Amman Stock Exchange, the Securities Depository Center and the Jordan Securities Commission during your anticipated trip to Amman for the IOSCO Annual Meeting, May 17<sup>th</sup> through May 20<sup>th</sup> of this year.

Sincerely Yours,

Jalil Tarif  
The Executive Manager  
Amman Stock Exchange

cc: Jordan Securities Commission  
Securities Depository Center

# WORLD FEDERATION OF EXCHANGES MEMBERSHIP APPLICATION OUTLINE

## ***Application Part I: The ASE's Role in the Jordanian Economy***

This section will contain a comprehensive description, with supporting document, pertaining to:

- The history and development of the Jordanian securities market
- Statistical documentation supporting the increasingly important role of the ASE in the development of the Jordanian economy

## ***Application Part II: Compliance with the WFE Market Principles 2002***

In this section the ASE will document its compliance with each of the 15 primary principles comprising the WFE Market Principles 2002 and with each of IOSCO's 7 Secondary Market Recommendations included in the WFE Market Principles 2002. Compliance with each of the WFE Principles and the IOSCO Recommendations will be supported by specific Articles and Directives from:

- The Securities Law of 2002
- The Rules and Regulations of the Jordan Securities Commission
- The By-Laws and Directives of the ASE, as approved by the Jordan Securities Commission
- The By-Laws and Directives of the Securities Depository Center, as approved by the Jordan Securities Commission

The compliance documentation format will consist of stating each of the 15 WFE Market Principles 2002, including each Principle's subcomponents, and each of the 7 IOSCO Recommendations followed by specific references to and citations from the Securities Law of 2002 and the appropriate Rules, Regulations, By-Laws and Directives of the Jordan Securities Commission, the ASE and the Securities Depository Center, specifically evidencing compliance.

## ***Application Part II: Documentation Appendices***

In this portion of the application the ASE will provide complete and current copies of:

- The Securities Law of 2002
- The Rules and Regulations of the Jordan Securities Commission
- The By-Laws and Directives of the ASE, as approved by the Jordan Securities Commission



- The By-Laws and Directives of the Securities Depository Center, as approved by the Jordan Securities Commission
- ASE Technical Systems Documentation, as appropriate
- Securities Depository Center Technical Systems Documentation, as appropriate

In compliance with submission requirements stated in the WFE's Statutes and Rules, the membership application and all supporting documents will be submitted in English.

If there are any questions regarding the information provided or clarification required please do not hesitate to call my office at (962) (6) 566 4109.